FINANCIAL TIMES

Summer squeezes

Why zinc, aluminium and copper are sizzling

Commodities, Page 20

Ford Motor

Strategy paying off, except in Europe

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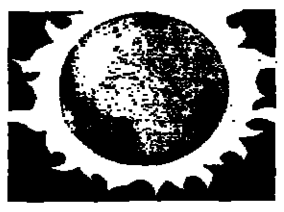

Global warming

Plant more trees to absorb CO_2 emissions

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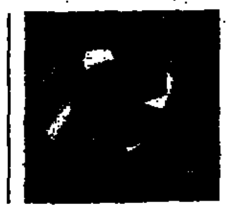

Turkey

Political positions shaken by Islamist challenge

Edward Mortimer, Page 8

World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 6 1997

Over 200 feared dead in Korean jumbo jet crash

A Korean Air jumbo jet with 257 people on board crashed while trying to land on Guam. Police said 29 people survived the crash of the flight from Seoul. Radar contact was lost as the Boeing 747 was three miles from Agana international airport, according to the US Federal Aviation Administration. The aircraft been cleared to land and went down in heavy rain in a sparsely populated area on the approach to the airport.

Summers warns Mexico over budget: Deputy Treasury Secretary Lawrence Summers has warned Mexico's opposition-controlled Congress to continue the balanced budget policies of President Ernesto Zedillo. He plans to balance the budget by 2000, but the proposals have to be approved by the new Congress. Page 10

Intel links up with SAP: Intel and SAP America, the US arm of the German business software group, announced they were forming a joint venture to offer business systems linked to the internet. Called Pandesic, it will offer systems, software and services to enable companies to sell on the internet. Page 11

French act on Comoros aid: France is to push for better distribution of its annual FFr100m ($16m) development aid to the Comoros Federal Islamic Republic, after calls from local separatists who want to be reunited with their former colonial master. Page 2

D-Mark slide: The D-Mark fell to its lowest level against the dollar for eight years on European foreign exchanges, closing in London at DM1.879. Page 10

Gist-Brocades warning hits shares: Shares in Dutch biotechnology group Gist-Brocades fell nearly 18 per cent after a profit warning. The company blamed a steep fall in prices for penicillin and its derivatives. Page 11

US seeks to revive Bosnia plan: A US delegation is arriving in the former Yugoslavia in a bid to reinvigorate the Dayton peace plan, against a backdrop of bickering over blame for the plan's poor implementation. Page 2

Shanghai Tyre plans bond issue: Shanghai Tyre and Rubber plans to raise $120m this year through an international convertible bond issue. Page 13

Japanese life assurance slump: Japan's 44 life assurance companies lost a record Y3,361bn ($28.4bn) worth of business in May, as policyholders lost confidence. The decline came after Nissan Mutual collapsed with over Y300bn losses in April. Page 10

Brazil deficit worsens: Brazil recorded an unexpectedly high trade deficit of $811m in July, with analysts blaming a surge in oil imports. The rise prompted renewed fears of speculative pressure on the currency. Page 5

Blasts hit Israel tourism: The suicide bombers who struck Jerusalem last week, killing 13 Israelis and setting back the peace process still further, also dealt a heavy blow to Israel's tourism industry. Page 4

Busang probe: The family of Michael de Guzman – the Busang gold mine geologist who was reported to have fallen to his death in Indonesia – have asked for his body to be exhumed. They do not believe Mr de Guzman, a key figure in the Bre-X scandal, committed suicide. Page 20

North Korea joins treaty talks: North Korea has joined talks in New York on negotiations for a treaty which would finally end the 1950-53 Korean war. Page 3

Discord over telecoms agreement: Brussels has told the US that it risks violating world trading obligations because of the way it plans to enact a recent agreement liberalising global telecoms markets. Page 4

BP plans share buy-backs: British Petroleum is to launch a share buy-back programme to make sure investors benefit directly from record profits. Directors will ask shareholders at next April's annual meeting to give them authority for the buy-backs. Page 11

Chocolate melts British hearts: The British eat more chocolate per head than any other European country, says a new survey. The average Briton spends $91.11 a year on chocolate, eating almost 14kg. Page 6

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STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	8,193.11	(-5.34)
NASDAQ Composite	1,618.89	(+13.54)
Europe and Far East		
CAC40	2,984.10	(-8.31)
DAX	4,302.68	(+5.74)
FTSE 100	4,980.6	(+64.9)
Nikkei	19,514.45	(-153.62)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.27%
Long Bond	101⅜
Yield	6.481%

OTHER RATES

UK: 3-mo Interbank	7⅛%	(same)
UK: 10 yr Gilt	101¼	(101⅜)
France: 10 yr OAT	98.83	(99.47)
Germany: 10 yr Bund	102.13	(102.60)
Japan: 10 yr JGB	106.5673	(106.5693)

NORTH SEA OIL (Argus)

Brent Dated	$19.42	(19.31)

GOLD

New York: Comex		
(Aug)	$320.4	(323.9)
London:		
close	$319.75	(323.85)

DOLLAR

New York: lunchtime		
£	1.624	
DM	1.88125	
FFr	6.35	
SFr	1.53595	
Y	119.25	
London:		
£	1.6274	(1.6309)
DM	1.879	(1.8639)
FFr	6.343	(6.2863)
SFr	1.5336	(1.5255)
Y	119.12	(118.215)
Tokyo close:	Y 118.55	

STERLING

DM	3.0577	(3.0398)

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Russian nickel sell-off U-turn

Prime minister criticised for last-minute auction rethink

By John Thornhill in Moscow

Oneximbank, the Russian banking group, took control yesterday of the state's 38 per cent shareholding in Norilsk Nickel, the large mining group, after government officials changed their minds and permitted the auction to go ahead.

Analysts said the twist in Russia's privatisation saga must call into question the judgment of Mr Victor Chernomyrdin, prime minister, who had earlier ordered the auction to be postponed to ensure its procedures were legally watertight.

The addition of Norilsk Nickel also confirms Oneximbank as Russia's most powerful financial group, following its success last month in acquiring 25 per cent of Svyazinvest, the telecommunications holding company.

Mr Chernomyrdin held talks yesterday with Mr Vladimir Potanin, the head of Oneximbank, in an attempt to resolve the government's doubts. He was assured that Oneximbank would bid well above the minimum price set by the government, providing Moscow with much-needed budget funds.

Oneximbank defeated the only other bidder with an offer of Ecu236.2m ($251.2m) – $110m above the starting price. But Oneximbank must also invest $300m in the company and pay off a further Rbs400bn of tax and pension obligations.

Mr Sergei Molozhavy, deputy head of the state property committee, the government agency supervising the bid, said ministers had concluded it would be "senseless" to delay the auction at such a late stage. "There was no point in putting off the tender because that would not have conformed with current civil law," he said. "But the fact that the auction has taken place does not impair the state, in the form of the procurator general, from challenging its conclusions in the courts."

An early legal challenge to the auction looks unlikely as Mr Yuri Skuratov, the procurator general, went on holiday yesterday.

Rival business groups, including Trans-World Group, the British metals company, had claimed the auction favoured Oneximbank, which has managed the government's shareholding for the past two years and was running the tender process.

Oneximbank has come under fire from rival Russian business groups, after winning last month's auction for Svyazinvest.

Mr Sergei Barbashov, a representative of Peredoviye Promyshlenniye Technologii (PPT), the only other bidder, said he had no complaints. However, Mr Barbashov refused to specify who was behind the PPT bid, saying only that the group was owned by "several foreign trade and industrial companies".

One Moscow-based financial analyst said the criticism of the auction must count as a backward step in the government's attempts to establish its credibility in conducting open privatisations.

The government argued it had established new and higher standards of openness last month when it sold its 25 per cent stake in Svyazinvest.

The Norilsk Nickel auction was conducted in a similar fashion to other recent privatisation sales, which unwound the government's shares-for-loans transactions of 1995.

But analysts suggested Oneximbank had paid below the open market price for the stake. Norilsk Nickel's market capitalisation is more than $1.4bn, suggesting Oneximbank should have paid at least $530m for its controlling shareholding.

Brussels faces trade row with US over meat rules

By Neil Buckley in Brussels

Meat safety rules adopted by the European Union to control the spread of "mad cow" disease are threatening to provoke a transatlantic trade row and shut down parts of Europe's pharmaceuticals and cosmetics businesses.

The rules ban the parts of cattle most at risk of carrying the disease – mainly the brain and spinal cord – from entering the food chain, or from being used to make products such as tallow. The European Commission agreed to bring them into force in January after a long battle to persuade EU states to accept them.

But industry groups have warned Brussels the rules could cause chaos, since tallow derivatives are used in about 80 per cent of pharmaceuticals, as well as in cosmetics and products including lubricants, tyres, packaging and printing ink.

The US has complained the ban will hit its $100m of tallow exports to the EU, unless it brings its slaughterhouse rules into line with Europe.

Mr William Daley, US commerce secretary, and Mr Stuart Eizenstat, commerce under-secretary, urged European commissioners Mr Martin Bangemann and Sir Leon Brittan before last week's Brussels meeting to modify the rules.

US officials have since threatened to complain to the World Trade Organisation. "The potential trade implications are huge unless we sort this out," admitted one EU official.

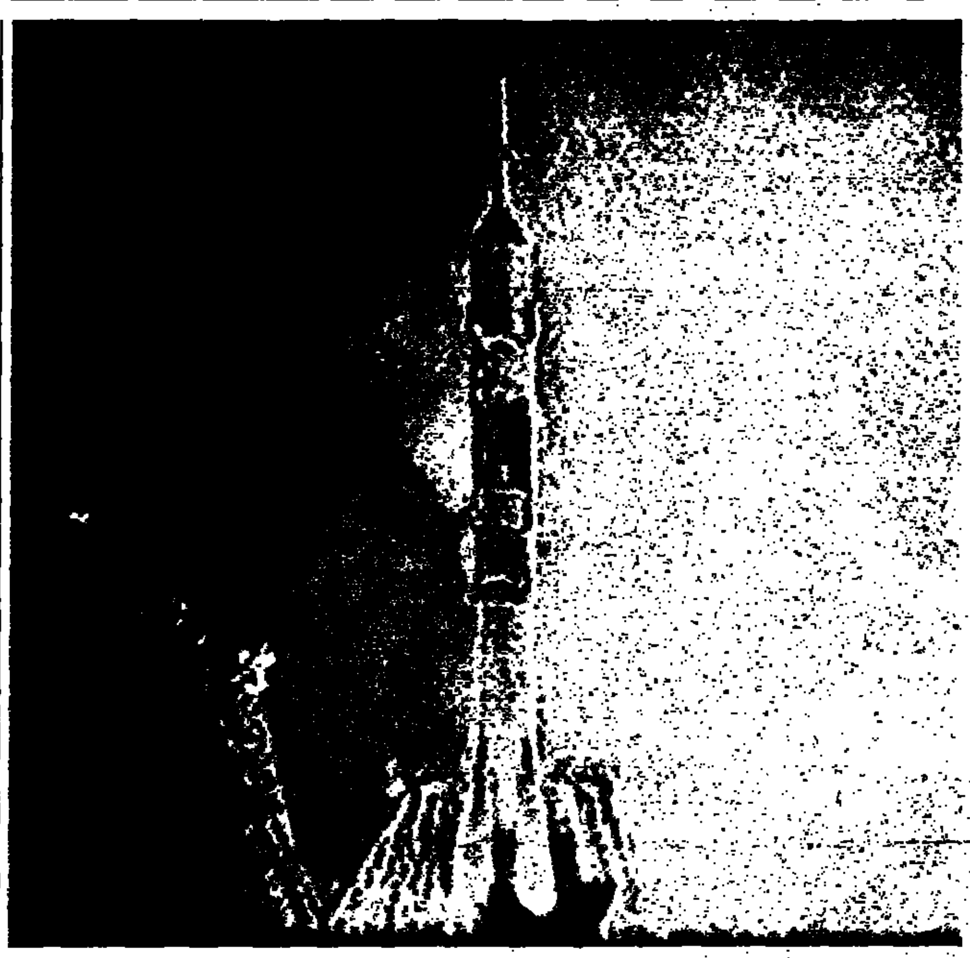
The US had agreed to hold fire on the issue until autumn, when the 20 European commissioners return from holiday. But, aware of the industry furore, they renewed pressure on Brussels yesterday to find an interim solution.

Pharmaceuticals and cosmetics producers are already ordering tallow for use next year. They warn that since most tallow is made from whole cattle carcases, there could be a shortage of the material meeting the new EU standards until slaughterhouses change their practices.

Industry groups say one solution might be to grant non-EU tallow exporters exemptions from the rules. But a clause in the rules allowing such exemptions was watered down last month by EU ministers, at Spanish insistence.

Another way out could be to accept the opinion of the EU's own scientific experts, issued in June, that heat-treated tallow derivatives pose no risk of transmitting mad cow disease. But that opinion has already been ignored in adopting the new rules.

Mad cow row, Page 4



New crew blasts off to repair space station

Two Russian cosmonauts blasted off yesterday heading for the Mir space station where they will tackle a host of problems, including a broken oxygen system, that the current Mir crew has been unable to fix.

The men were launched into orbit in a Soyuz rocket (above) which lifted off from the Baikonur space centre in Kazakhstan.

On August 20, they are expected to put on spacesuits and go outside Mir to re-attach cables to the space station's damaged module in an attempt to restore power. In September, they will start work to repair a hole in the module's exterior. Picture: AP

Li Ka-shing buys stake in Jardine groups

By John Ridding and Louise Lucas in Hong Kong

Mr Li Ka-shing, Hong Kong's most powerful businessman, has bought stakes in two of the main companies of the Jardine Matheson group, prompting speculation that he is considering a bid for divisions of the British-controlled conglomerate.

Jardine said yesterday that Mr Li had accumulated stakes of just over 3 per cent in Jardine Matheson and Hongkong Land, worth about HK$396m (US$51m) before the announcement. Hongkong Land is one of the territory's biggest landowners and was the target of an unsuccessful raid by the businessman and several allies in 1987 and 1988.

Jardine, one of Hong Kong's founding trading groups, played down speculation of a bid. "We are pleased that they recognise good value in Jardine Matheson and Hongkong Land," said Mr Alasdair Morrison, managing director of Jardine Matheson.

Company officials said they did not view the purchases as a predatory move, noting that Mr Li's companies often made trading investments.

But coming so soon after Hong Kong's return to China last month, some in the territory wonder if it is the first step in a move against one of the remaining symbols of colonial power. "To take over Hongkong Land, or even Jardine Matheson, would go a long way towards reconquering, psychologically, Hong Kong, albeit it is now officially part of China," said Mr Nam Park, analyst at ING Barings.

Shares in the Jardine group companies soared on the news, revealed under stock market disclosure rules. Shares in Hongkong Land jumped by more than 20 per cent to US$3.12, while Jardine Matheson rose 11 per cent to US$7.85. Trading in the shares was heavy, but brokers said it was unclear whether Mr Li's companies were seeking to increase their holdings.

Investment analysts were divided over prospects for a bid. "We do not believe at this point that the 3 per cent stakes will amount to a takeover bid," said ING Barings in Hong Kong. The investment bank said Mr Li's companies might

Continued on Page 10

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Bangkok approves radical package of economic reforms

By Ted Bardacke in Bangkok

The Thai government yesterday approved a sweeping package of economic reform measures designed to give it access to between $12bn and $15bn in emergency credits from the International Monetary Fund and elsewhere.

In a separate announcement, the country's central bank suspended the operations of 42 struggling finance companies after negotiations with the IMF on restoring stability to the ailing financial system.

Mr Michael Camdessus, managing director of the IMF, "greatly welcomed" the package, saying he hoped to present it soon to the Fund's executive board for endorsement.

He said the Fund was "working with the authorities to develop [the plan] into a multi-year adjustment programme that could be supported by IMF resources".

The central bank said it had lent Bt500bn ($15.7bn) in emergency liquidity support to the companies and 16 others suspended in June. It said the financial system had seen withdrawals of between Bt15bn and Bt20bn a week. "We can't take this burden any more," said Mr Chaiyawat Wibulswasdi, central bank governor. "We need to get tough before the whole financial system is infected."

The suspensions and volume of official support surprised financial markets and overshadowed the government's decision to authorise the finance ministry and central bank to sign a loan agreement with the IMF as soon as it was ready.

An IMF official said progress was being made and expected to be able to send an agreement to the IMF's executive board for approval soon. The stock exchange closed down 2.3 per cent.

The baht's performance was mixed, slightly weaker in domestic trading and slightly stronger offshore.

Other parts of the package include a pledge to maintain foreign currency reserves of at least $25bn, or three months of import cover. Value added tax will rise to 10 per cent from 7 per cent from August 16. The government accounts will be balanced, beginning with cuts of up to Bt100m to next year's budget.

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Finance minister warns that Germany is 'fuelling disaffection at home and mockery abroad'

Waigel presses need for tax reforms

By Ralph Atkins in Bonn

Mr Theo Waigel, German finance minister, delivered a sharp warning yesterday that Germany was fuelling political disaffection at home and mockery abroad, by failing to implement vital economic reforms.

In a bitter speech to parliament, Mr Waigel said the latest collapse of cross-party negotiations on government proposals for sweeping tax changes would only confirm the impression of a political system gripped by "self-paralysis". The beneficiaries would be "extremists and the politically disaffected," he declared.

The tax package would have led to net tax cuts worth up to DM30bn ($16bn) from 1999. It collapsed after conciliation procedures failed to result in a deal between the Bundestag, the lower chamber of parliament, and the Bundesrat, the opposition Social Democratic party-controlled second chamber.

However, it emerged last night that the Bonn governing coalition would proceed with plans to cut by two percentage points to 5.5 per cent the much-hated "solidarity surcharge" levied on income tax bills to pay for eastern German reconstruction.

That decision should ease damaging tensions between Chancellor Helmut Kohl's Christian Democrats and the Free Democratic party, the junior coalition member, which has long argued for cuts in the surcharge.

Mr Waigel made his comments in an emergency Bundestag debate after increasingly vocal criticism from German industry of the political logjam in Bonn. "While the Scandinavians, Dutch and British have done their homework and increased employment, Germany's inability to reform is greeted with mockery," he said.

Mr Waigel angrily dismissed SPD claims that the tax cuts would create huge holes in public finances. Rcform was needed to stop the erosion of tax revenues – including by companies transferring profits overseas – and to put public finances on a solid basis. Without the planned reforms, federal, state and local governments would lose DM135bn over the next four years, Mr Waigel said.

As well as simplifying Germany's notoriously complex tax system, the reform package would have cut the starting income tax rate from 25.9 per cent to 15 per cent. The lower rate would have ensured that "tax is paid in Germany and not abroad", while reduced taxes on company profits would encourage investment from overseas, Mr Waigel said.

Mr Kohl's coalition plans a further attempt at reaching agreement on its tax package with the Bundesrat from September. Mr Waigel appealed to the SPD to end its blockade, "in the interests of the country".

Mr Henning Voscherau, one of the SPD's tax negotiators, said his party was not pursuing a blocking strategy. Instead, there were "differences of opinion and contrasting concepts" for tax reform. But the chances of a deal in the second conciliation process remains remote. The Bundestag accepted plans agreed during last week's conciliation process for the long-awaited abolition of Germany's local trading capital tax.

Germany will fail to meet exactly the public sector deficit target set this year for members of the European single currency, according to forecasts from the Munich-based Ifo economic institute, writes Ralph Atkins.

The country's deficit will fall to 3.3 per cent – compared with the 3 per cent target – after 3.8 per cent last year, Ifo says. Hopes of an "exact landing" have been set back by rising unemployment and disappointing inflows of tax revenues. However, it argues that "decimal point discussions" make little sense; more important is the long-term sustainability of budget controls. Ifo forecasts a public sector deficit equivalent to 2.6 per cent of gross domestic product in 1998.

The finance ministry in Bonn yesterday repeated that all steps would be taken to ensure that the Maastricht treaty criteria for monetary union were fulfilled, and said Germany had a "good chance" of succeeding.

In its latest forecasts, Ifo predicts 2.25 per cent GDP growth this year and 2.75 per cent in 1998 – slightly lower than government forecasts. That compares with 1.4 per cent growth in 1996. Exports remain the motor of growth, helped by a weak D-Mark, with private consumption recovering slowly. Ifo says monetary conditions remain favourable, but warns the D-Mark could come under further downward pressure if confidence is hit by fears about the euro currency.

The Bundesbank might then have to raise interest rates to prevent inflation rising.

US drive to put Bosnia peace plan on track

By Bruce Clark in Washington and Anatol Lieven in London

A US delegation arrives in the former Yugoslavia today in a drive to reinvigorate the Dayton peace plan, against a background of transatlantic bickering over who is to blame for the settlement's poor implementation.

Mr Richard Holbrooke, the architect of the 1995 Dayton peace accord, has agreed to return to the area to use his personal prestige and influence with President Slobodan Milosevic of Yugoslavia (Serbia and Montenegro). Not for the first time, the aim is to get Mr Milosevic to put pressure on the Bosnian Serbs to co-operate in easing tensions in Bosnia.

The new US push reflects growing insistence in Congress that all or most of the US peacekeepers in Bosnia should be withdrawn by the agreed deadline of mid-1998. However, some Balkan specialists say there is a risk of renewed fighting in Bosnia if the terms of the Dayton settlement have not been fulfilled by the time the peacekeepers leave. US envoys will also be putting pressure on President Franjo Tudjman of Croatia to co-operate in bringing Croatian war criminals to justice and allowing refugees in Bosnia and Croatia to go home.

The return of Moslems to the Croat-controlled town of Jajce, one of the success stories of the reconciliation effort, was interrupted at the weekend when local Croats drove them out again, killing at least one. Germany retaliated by suspending DM1m ($500,000) in aid earmarked for Jajce. Mr Klaus Kinkel, foreign minister, said: "Deranged fanatics cannot be allowed to endanger what has already been achieved."

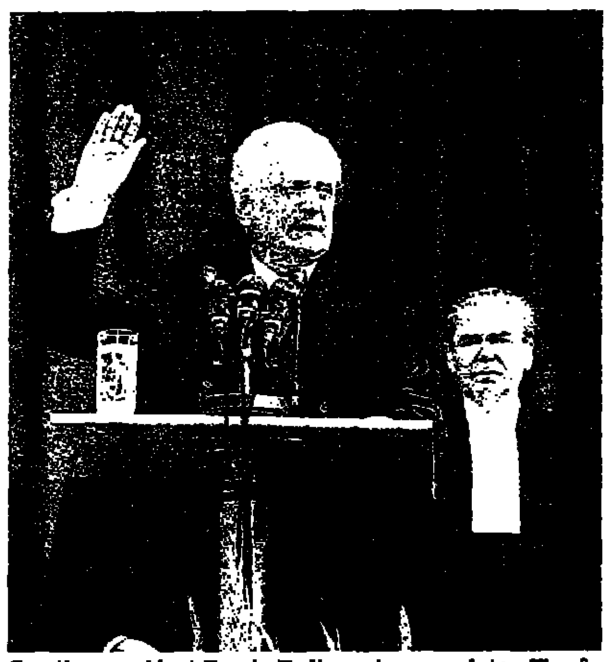
Under intense international pressure, Moslem and Croat authorities signed an agreement yesterday to set up a joint police force in the area by August 30.

The US party hopes to meet the three-man Bosnian presidency in Sarajevo tomorrow – although it is unclear whether the Serb member of the presidency, Mr Momcilo Krajisnik, will turn up. The US has joined European countries in boycotting Bosnian ambassadors, appointed by the country's Moslem leadership, in protest against the parties' failure to agree on how to share out the country's external representation.

But US officials have blamed the row over ambassadors partly on Mr Carlos Westendorp, the Spanish official responsible for the civilian side of Bosnia's reconstruction. They have also censured Mr Westendorp for not spending enough time in Bosnia, and mishandling negotiations on citizenship and aviation.

On Friday, the US delegation will confer with President Milosevic and lay out a stark choice. He can expect economic aid if he co-operates with the Dayton process, and economic isolation, combined with other unspecified penalties, if he fails.

Editorial Comment, Page 9



Croatian president Franjo Tudjman is sworn into office for a second five-year term in Zagreb yesterday. Mr Tudjman declared his commitment to peace in Bosnia Reuter

Russia justifies rapid military upgrade

By John Thornhill in Moscow

Russia's defence ministry has "practically ruled out" the possibility of any large-scale military aggression against the country in the foreseeable future, in effect confirming that Moscow does not view Nato's eastward enlargement as a serious military threat.

But in a review of the country's military doctrine released this week, Russia's top strategic planners said there was still a high probability that regional conflicts could threaten the country's security interests.

Effective, well-equipped, mobile forces must be introduced to counter such dangers, the defence ministry said. Closer integration with the other 11 members of the Commonwealth of Independent States would also help Russia repel existing and potential military threats.

Mr Boris Yeltsin, the president, has stressed the need for rapid military reform, calling for Russia's army to be cut by 500,000 men to 1.2m by the end of next year. Mr Yeltsin envisages the creation of a modern, professional army by 2000, promising that its professionalism will match that of Nato's armed forces.

But several prominent former generals have criticised the government's reform proposals, arguing that the armed forces will collapse unless their budget is increased from its current level of 3.5 per cent of gross domestic product.

Earlier this week, Mr Lev Rokhlin, a former general and head of the parliamentary defence committee, continued his blistering attacks against the government's reforms after returning from a tour of 14 military districts.

If the chronic underfunding of Russia's armed forces continued, he warned, the country might lose its strategic nuclear deterrent by 2005.

"A strong defence shield is unthinkable if the servicemen do not get their salaries for three months in a row," Mr Rokhlin said.

Mr Igor Rodionov, the former defence minister who was sacked by Mr Yeltsin in May, also called for more money to be spent on the army. "We are looking at the full collapse of the armed forces and the liquidation of the country's defence capabilities," he said.

Almost every day the media is full of harrowing accounts of the state of the armed forces, although the government has vowed it will use the proceeds from the recent sale of Svyazinvest, the telecommunications holding company, to pay off soldiers' back wages.

The defence ministry said that military reform would require "tough and unpopular measures", but said it was an officer's duty to follow them through.

Implementing the reforms counted as "an expression of a truly patriotic attitude to the sacred cause of Russia's defence," it said. "Populism and all sorts of speculation about the problems of the army and navy are impermissible."

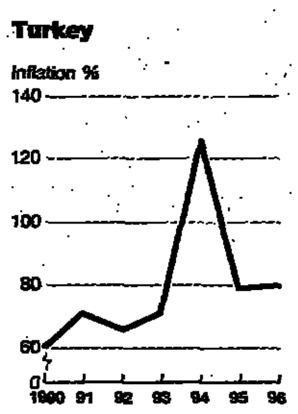
Turks may yet grasp inflation nettle

John Barham on how the central bank chief hopes to end 'fiscal incontinence'

Anyone claiming to be a serious inflation-fighter in Turkey, a country with only the vaguest memory of stable prices, risks being dismissed as an inveterate supporter of lost causes.

Mr Gazi Erçel, central bank governor since early last year, says he had a "lonely time" during the populist 11-month rule of the Islamist Welfare party, forced from office in June by the army.

Now, with a new pro-market secularist government in place, the mild-mannered Mr Erçel, 52, thinks Turkey really is ready to bring down inflation. Last week, he and the treasury secretary signed a protocol intended to bring some clarity to the murky financial relationship between government and central bank, to establish a medium-term monetary policy and to grant the respected Mr Erçel more independence to lower inflation. "We are doing some summer homework, and in September we will get together with the government to discuss it and [later] with international institutions," Mr Erçel said. "By mid-October we will decide the precise numbers for 1998."



Source: State Institute of Statistics

The aim is to build a coherent set of monetary and fiscal policies which, starting next January, will gradually cut inflation, now running at 80 per cent a year. The central bank will have sole responsibility for monetary policy.

Mr Erçel, nominally independent but aware of the political limits on his autonomy, recognises that "we all know the recipes for getting inflation down". The time has now come for "implementing them with decisive political will. Internal and external observers will see that implementation has started, is on the right track and that the protocol is not just a piece of paper".

Mr Erçel will have to work hard to convince them.

It helps that he has considerable credibility. He was a top civil servant, an International Monetary Fund staffer and then the head of a Turkish bank.

As central bank governor he is credited for skilfully guiding policy at a tense time in Turkish politics, as the army forced the Islamist government of Mr Necmettin Erbakan from office in June. Yet seven governments have come and gone since 1990, when the present economic team was last in power.

Each administration promises structural reforms to cut inflation and deliver steady, sustainable growth. But a succession of divided coalitions has lacked the strength to embark on tough public sector reforms.

The result, as the London-based credit rating agency IBCA once stated, is "fiscal incontinence" on a heroic scale.

Turkey is the last big economy to suffer heavy inflation, long after Latin America and the former Soviet bloc countries have brought their economies under control.

The Turkish lira is among the world's most worthless currencies, trading at over 160,000 to the dollar. Turkey has one of the world's oldest but least successful privatisation programmes, having raised under $4bn in 11 years.

Although Turks complain about the spiralling cost of living, there is little appetite for the wrenching reforms needed to kill inflation. A generation has grown up with double-digit inflation.

But Mr Erçel, thinks that "the concept of a low-inflation economy driven by the private sector is gradually being established in the minds of the public and the government".

He says Turkish politicians have noticed how Latin America's reforming presidents were handsomely rewarded at the polls for stopping inflation.

Local commentators are less sure. Mr Abdurrahman Yildirim, financial columnist on the newspaper Yeni Yüzyil, wrote that by leaving implementation of the protocol to 1998 the government was behaving like someone "who always says they are starting a diet tomorrow". He doubts that the government, an uneasy alliance of conservatives and social democrats that lacks a parliamentary majority, can achieve much before elections planned for 1998.

But Mr Erçel says there is a "clear-cut understanding" that the government will not get a penny from the central bank to finance populist economic policies ahead of the elections. He is a man with a mission to help repair Turkey's frayed democratic fabric. Stability, he argues, is a "guarantee of democracy. Low inflation ensures a healthy democracy".

Mr Erçel has a vision of a strong, stable and democratic Turkey taking its place in an A league of top world economies and becoming a "powerful member of the European Union". But fulfilling that ambition will take a lot of homework.

● Turkey needs to take bold steps to stabilise its fragile economy and reduce raging inflation, the International Monetary Fund said yesterday, Reuter reports from Washington. In a summary of its annual review of the Turkish economy IMF directors "urged (the government) to embark on a bold and comprehensive programme of stabilisation policies and structural reforms to reduce inflation and set the economy on a sustainable growth path."

Demirel country, Page 8

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Paris makes pledge on Comoros aid

By Andrew Jack in Paris

France will push for "better" distribution of its FFr100m ($16m) in annual development aid to the Comoros Federal Islamic Republic, it said yesterday. The decision came after calls from local separatists who want to be reunited with their former colonial master.

The Ministry of Foreign Affairs in Paris firmly rejected the demand by the separatists on the island of Anjouan, who on Sunday expressed their desire to reunite with France and break with the national government on the Comoros Archipelago, which is located in the Indian Ocean between Madagascar and Mozambique.

A ministry spokesman stressed that France wanted a negotiated settlement, and had expressed its view that the Organisation of African Unity (OAU) was best placed to act as mediator.

The official expressed satisfaction the OAU had appointed a special envoy to launch talks with all parties concerned.

The decision to take an arm's length approach to the dispute comes despite the fact that one of the principal Comoros islands, Mayotte, is a French overseas territory, which retained its status after the others, including Anjouan, opted for independence in 1975.

France stopped providing budgetary aid to the Comoros Republic in 1995, after allegations of mismanagement. It continues to provide FFr46m a year in aid and a further FFr60m in low-interest loans through its overseas development bank.

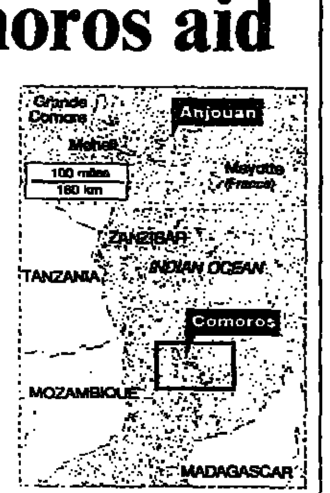
The foreign affairs ministry said that the separatists' demands on Anjouan were the result of "socio-economic problems" and that France would try to encourage a "more intelligent and equitable" distribution of its development assistance in future.

The statement came as Mr Abdallah Ibrahim, 71, a businessman and Koranic schoolteacher, was proclaimed yesterday as president of the "state of Anjouan" ahead of elections on the island before the end of this year.

Members of the new unofficial cabinet said they would discuss issues including sovereignty, currency, defence, the official language and international conventions.

Mr Henri Jean-Baptiste, a deputy for the centre-right UDF party on Mayotte, said the separatists' demands reflected "the right choice" made by the people on his island to remain linked to France.

A fairer distribution of resources between the Comoros islands was needed, he added.



EUROPEAN NEWS DIGEST

ABB attacked on China dam

ABB, the Swiss-Swedish engineering group, has come under renewed pressure to withdraw from the bidding to supply equipment for China's controversial Three Gorges dam project. Erklärung von Bern, a Swiss environmental group, has launched a campaign against ABB's involvement in what it describes as "possibly the most destructive and controversial hydropower project in history".

It has started distributing postcards which show pictures of how Bern and Zurich would look if a dam of a similar size were built in Switzerland. The water comes up to the front steps of the Swiss parliament in Bern and would leave the Grossmünster, Zurich's biggest church, half-submerged. ABB, keen to portray itself as an environmentally friendly company, has already come in for considerable criticism for its involvement in Malaysia's $5.2bn Bakun dam project. The Swiss environmental group has urged ABB to support an independent evaluation of controversial dam projects such as Bakun and Three Gorges. *William Hall, Zurich*

■ GERMAN FLOODS

Federal aid at DM500m

The federal German government's help offered for regions hit by the flooding of the river Oder is running at DM500m ($268m) and could rise further, Chancellor Helmut Kohl announced yesterday. In a parliamentary statement, Mr Kohl described the crisis as "one of the worst in Germany in this century". Although a massive military operation in zones near the German-Polish border has limited damage, large areas of farmland as well as villages have been submerged.

In addition to DM20m in immediate help, and a DM200m credit provided by the Kreditanstalt für Wiederaufbau, the federal government's investment bank, Bonn has pledged help for the agriculture sector and housing. Mr Kohl heaped praise on the soldiers who had battled round the clock during the emergency, saying the flood containment operation showed that the Bundeswehr was "the army of the whole people". About 10,000 troops involved in the operation will stay on to help with clean-up work. *Ralph Atkins, Bonn*

■ LUKOIL

Pact with Azerbaijan 'to stay'

The Russian oil company Lukoil will not pull out of a joint project with Azerbaijan in the Caspian Sea, as originally reported, according to a company spokesman. The Russian news Itar-Tass said at the weekend Lukoil would pull out of the offshore Kyapaz oil field, which it had signed a contract to develop last month alongside Socar, the Azerbaijani state oil company, and Rosneft, the Russian state-owned oil company.

Control of the Kyapaz field is disputed by Turkmenistan, which has announced it will hold a separate tender for the field. As a result of Turkmen complaints, Rosneft pulled out of the deal last Thursday. Analysts say Rosneft's decision to withdraw was in response to pressure from the Russian government.

Russia may be keen to cultivate Turkmenistan's support in the wake of a US decision not to hinder the building of a pipeline through Iran which would carry Turkmen gas to Turkey, a market which the Russian gas monopoly Gazprom covets. *Charles Clover, London*

■ POLAND PRIVATISATION

Cabinet clears sale of insurer

Despite protests by the opposition, the government decided yesterday to proceed with its plan to increase the capital of Poland's biggest insurer PZU prior to its privatisation. The government said in a statement it would seek to privatise PZU, which dominates both Poland's non-life and life insurance market, next year. The company's spokesman said this would probably be done through a public offering.

"The government...expects that the treasury ministry will take necessary actions to increase PZU's capital from non-budgetary sources and include the company in the privatisation programme for 1998," the statement said. The opposition Solidarity alliance (AWS) demanded earlier this week that the plan be dropped, charging it involved a plot by PZU's management and some cabinet members to sell a large stake in the company cheaply to some domestic investors. *Reuter, Warsaw*

■ TURKEY

Islamist protesters arrested

Turkish police yesterday arrested 129 Islamist protesters demonstrating against government plans to close Islamic schools across the country. Officers seized 100 protesters in Kocaeli, 115km east of Istanbul, when they refused to break up their unauthorised rally, the news agency Anatolia said.

Another 29 people were taken into custody in the eastern town of Erzurum after they shouted slogans against the parliamentary bill. Authorities in these two regions, and in several others, have banned protests against the bill after widespread demonstrations last week which were dispersed by baton-wielding police.

The legislation, which is being debated by a parliamentary commission, would extend mandatory schooling from five years to eight, and would close secondary religious schools which train imams, or Islamic leaders. *AFP, Ankara*

■ ALBANIAN IMMIGRANTS

Greece to issue work permits

Greece agreed yesterday to legalise the status of hundreds of thousands of illegal Albanian immigrants in exchange for help in fighting cross-border crime imported from the troubled Balkan state. In a protocol signed by the visiting Greek foreign minister, Mr Theodoros Pangalos, and his Albanian counterpart, Mr Paskal Milo, the two countries agreed to issue temporary work permits to Albanians, who are often summarily expelled from Greece.

"Mr Pangalos promised that Albanian immigrants in Greece will be treated equally with other immigrants. This is the best news for Albania," Mr Milo said. But an offer to lend Albania $20m had stumbled on objections from Tirana to the conditions of the loan and might not materialise, Greek diplomats said. *Reuter, Tirana*

■ ITALIAN DOLOMITES

Seven more climbers killed

Seven Alpine climbers fell to their deaths yesterday in the Italian Dolomites, raising to at least 36 the total number of people killed in the European Alps over the past four weeks. Four climbers, identified as firefighters from Reggio Emilia in central Italy, were killed near the 3,851-metre peak of the Gran Zebru in the Alto Adige (South Tyrol), the Ansa news agency reported.

Later, three other climbers died on the same mountain, the report said. They were not immediately identified. Most of the other deaths have occurred on Mont Blanc, on the borders of France, Italy and Switzerland. Police also mounted a big search yesterday for the wife of a German diplomat who failed to return to her hotel after an alpine excursion. Ms Annamarie Neuner Lincke, 56, was last seen on Monday afternoon in the mountains near Fie allo Sciliar in the South Tyrol, police said. *AP, Bolzano*

N Korea joins talks about peace talks

By John Burton in Seoul

North Korea yesterday took another step in its new role as peacemaker by taking part in talks in New York to arrange four-party negotiations for a formal treaty to finally end the 1950-53 Korean war.

North Korea has adopted an increasingly conciliatory attitude as its problems, including widespread starvation, grow.

The isolated nation is gradually opening its borders and foreign aid workers have been granted limited access to the countryside to supervise food distribution.

South Korean engineers recently arrived in North Korea to help build nuclear reactors being sponsored by an international consortium including the US and Japan. Pyongyang is complying with a freeze on the operation of its current nuclear facilities, which are capable of producing weapons-grade plutonium.

North Korea recently offered an unprecedented apology for a submarine incursion into South Korean waters. It has held talks with Washington on missile proliferation and let US officials search for the remains of soldiers killed in the Korean war.

US and South Korean officials remain divided on how to assess these recent events. But the "talks about talks" in New York between representatives from North and South Korea, the US and China could lead to a diplomatic breakthrough, ending Pyongyang's isolation and promoting stability on the Korean peninsula.

The discussions which began yesterday will focus on setting an agenda, deciding the level of representation, and selecting a venue for the peace talks proposed a year ago by the US and South Korea.

North Korea is expected to be a tough negotiator despite its economic problems. It is likely to seek more food aid before agreeing to join the talks. Other demands could include the lifting of US economic sanctions and setting-up of diplomatic ties with Washington.

Pyongyang may also seek to place on the agenda the withdrawal of 37,000 US troops stationed in South Korea. Officials in Seoul are suspicious of these demands because they believe North Korea is trying to drive a wedge in the security alliance between South Korea and the US.

North Korea had previously called for peace talks with the US, while excluding South Korea. Its initial acceptance in June of the four-party talks proposal was thus considered an important concession.

Relations between North and South Korea remain frosty. "North Korea is terrified of the South Koreans, while it views the US as a more neutral mediator," said one western diplomat in Seoul.

But North Korea's diplomatic bargaining power is weakening as food conditions worsen. A United Nations report this week said much of this year's food crop had been lost to summer drought, forcing Pyongyang to continue to rely on international support for its survival.

Australia states lose tax rights

By Elizabeth Robinson in Sydney

An Australian High Court yesterday ruled state governments could no longer levy and collect revenue from tobacco, petrol and alcohol. The judgment could mean a shortfall of A$5bn (US$3.7bn), or 15 per cent, of states' revenues. It also hands Canberra greater control of the country's purse strings.

The court found that franchise fees imposed by states on wholesale tobacco were in effect a tax on goods, which under the constitution can only be imposed by the federal government.

Mr Peter Costello, federal treasurer, said the government would now take over collection of the money on states' behalf if they requested compensation for the loss in revenues.

"The money which would have been collected by the states remains and is considered a state tax, but if the commonwealth [federal government] is asked to assist in its collection... the commonwealth would see fit to do so," he said.

Mr Costello said the revised system would levy a uniform rate; it would be effective immediately, and should not result in higher consumer prices. "We will not be party to anything that puts up prices."

The government would require states to reimburse wholesalers for the difference between the uniform tax and the previous levy. For example, Queensland, which has no petrol tax, would have to reimburse petrol wholesalers for the levy estimated at 12 per cent.

Mr John Howard, prime minister, has made tax reform a priority with the aim of reducing income tax in favour of indirect taxes. But Mr Costello denied opposition claims that the new arrangement was an excuse to introduce a national goods and services tax.

Yesterday's ruling will increase pressure to review relations between the government and the states. Mr Costello called it "a significant setback for state taxes" while Mr Bob Carr, premier of New South Wales which faces a A$1bn loss in revenues, said: "The commonwealth-states' financial relations are a mess."

Indonesia picks Russian jets

By Greg Earl in Singapore

Indonesia yesterday said it would buy Russian fighter aircraft and helicopters following cancellation of a contract to buy nine F-16 fighters from the US because of congressional criticism of human rights abuses in Indonesia.

Underlining the increasingly bitter differences with the US over human rights issues, Mr Ginandjar Kartasasmita, minister for national development planning, yesterday stressed that the Russians had not imposed any human rights conditions on the fighter deal, negotiated over several months but brought to a head by Jakarta's decision to cancel the US contract two months ago.

The decision to take Russian aircraft is a a snub to the US and a significant realignment for President Suharto, who turned to the US for military assistance after he came to power three decades ago when Indonesia was using Soviet-made military equipment.

Indonesia has always avoided a single military supplier as part of a long-standing policy of non-alignment and currently has aircraft from the US, Britain and Australia.

Ginandjar Kartasasmita, planning minister, announcing the purchase of Russian warplanes yesterday Reuter

When Indonesia cancelled the F-16 contract, it also broke off participation in a US-funded military training programme and is now increasingly reliant on Australia for training.

At the time Mr Ali Alatas, the foreign minister, said the two military arrangements with the US were being cancelled in the interests of maintaining good relations with the Clinton administration free from congressional impediments.

Last month, the British government decided to proceed with the sale of 16 Hawk fighters to Indonesia in spite of some initial human rights concerns. But Mr Alatas reiterated only last week Indonesia would not accept any future attempts by the British government to link arms sales and human rights.

Mr Ginandjar said yesterday Indonesia would buy 12 Sukhoi 30K fighters as well as eight multi-purpose MI-17-1V helicopters for an unspecified total cost.

He said the Sukhois had been offered at $34m each, but the price still had to be settled as part of a complicated counter-trade deal which will see the Russians purchase Indonesian rubber, palm oil and coffee.

Indonesia's ministry of defence and security still has to negotiate the final terms, technology transfer arrangements, the counter-purchase products, delivery dates and after-sales service.

After rejecting the F-16 deal, Indonesian officials examined the French Mirage 2000 and Swedish Grippen, as well as other Russian jets, in search for an aircraft which could match the F-16.

Officials said the Sukhoi has a cruising speed of twice the speed of sound and can carry eight tonnes of weapons.

The MI-17-1V helicopter is a multi-purpose machine which is expected to be partly used by the recently expanded Indonesian Special Forces.

Indonesia recently released a defence white paper which emphasised its lower level of defence spending compared with its neighbours. But it has embarked on several re-equipment programmes including a decision last week to buy German submarines.

ASIA-PACIFIC NEWS DIGEST

Beijing replaces exchange chiefs

Beijing is poised to reassert its authority over China's volatile stock markets, replacing the heads of the Shanghai and Shenzhen exchanges with officials from the China Securities Regulatory Commission (CSRC). The move underlines the frustration of China's regulatory authorities, whose repeated attempts this year to rein in the unruly markets have met with mixed success.

Mr Yang Xianghai, president of the Shanghai Stock Exchange, is likely to be replaced by Mr Tu Guangshao, head of trading and market supervision at the CSRC. Mr Zhuang Xinyi, head of the Shenzhen Stock Exchange, is expected to be replaced by Mr Gui Minjie, head of the CSRC legal division. An announcement is expected in the next week. *James Harding, Shanghai*

■ JAPANESE ECONOMY

Household spending falls

Japan's June household spending fell by an annual 4.7 per cent in real terms to Y310,990 ($2,635), marking the third consecutive month of annual decline and the steepest fall since November 1974, the government's Management and Co-ordination Agency said yesterday. Among sectors hardest hit by the downturn in spending were transport and communications, which suffered from the plunge in vehicle purchases, and durable goods.

The figures are the latest in a series of poor economic data announced over the past 10 days, belying the optimistic tone of the Economic Planning Agency's latest prognosis. In its economic outlook report for August, published yesterday, the EPA said Japan's economy would move on to a sustainable recovery path in the second half of the fiscal year. It acknowledged personal consumption and housing starts were being hit by the April 1 sales tax rise. *Gwen Robinson, Tokyo*

■ SOUTH KOREAN POLITICS

Kim reshuffle ahead of poll

Mr Kim Young-sam, the South Korean president, yesterday removed most government MPs from the cabinet in a reshuffle he said was meant to ensure a December presidential election to choose his successor would be conducted in a "strict and fair manner".

The reshuffle, which affected half the 22-member cabinet, was confined to mainly minor ministries, including education, labour, agriculture, environment, health and welfare, maritime affairs and government administration. The home and justice ministers were replaced because of their involvement in developing election-related policies. *John Burton, Seoul*

■ Philippines' inflation in July was a steady 4.8 per cent, bringing the seven-month average for the year to 4.63 per cent. Analysts said the effects of devaluation might be felt in succeeding months. *Reuter, Manila*

Malaysia's economic frailties come into focus

Just when Malaysia really needed some good news, a plethora of economic problems is fast emerging.

The announcement late on Monday of Malaysia's biggest monthly trade deficit in 17 years has brought some economic frailties sharply into focus, and some of them appear to be structural in nature, economists say.

The immediate effect of the M$2.8bn (US$1bn) trade shortfall for the month of June was to trigger widespread selling on the local stock market yesterday, where the main index fell 3.42 per cent to a 22-month low of 945.08.

The index is now down 26 per cent from its high in February, and more than M$100bn in market value has evaporated this year.

The trade news also depressed the ringgit, erasing all the gains it made since selective foreign exchange controls were imposed on Monday in an effort to boost the currency's value. The ringgit was at M$2.63 to the US dollar in late trade yesterday, down from M$2.61 late on Monday. It traded at M$2.63 before central bank curbs were imposed.

It was not only the size of the trade deficit which caused concern. Economists said it was becoming clear some of Malaysia's key manufactured goods were losing competitiveness.

Exports of televisions, radios, sound recorders and telecoms equipment, which together account for 14 per cent of total exports, fell sharply by value in June. Overall, exports grew by a meagre 1.8 per cent.

Margins on consumer electronics goods are being squeezed as lower-cost exporters in China and other south-east Asian nations vie for a share in a nearly saturated Asian market. But home-grown structural problems are also to blame. Labour remains in short supply and wages are rising faster than output even as the cost of land rentals and power is climbing.

"Despite this, we have not seen exporters climb the value-added chain that much over the past two to three years," said Ms Seema Desai, regional economist at Schroder Securities Asia in Singapore.

The government's goal of luring a semiconductor wafer manufacturer to Malaysia has remained elusive. Semiconductor assembly operations are likely to be hit by an announcement of price cuts by Intel, the US chipmaker which dominates the Malaysian semiconductor packaging business.

The depreciation of the ringgit by 4 per cent since early July is unlikely to provide much of an export boost because the currencies of Thailand, the Philippines and Indonesia – where some of Malaysia's competitors are based – have declined by much greater margins.

At the same time, the ringgit has fallen 7 per cent against the Japanese yen this year, meaning the cost of many imported components, such as engines for Malaysia's carmakers and some parts for electronics products, has soared.

The deteriorating trade picture is coinciding with proliferating signs of a slowdown in the domestic economy. The environment of high interest rates caused by the ringgit's depreciation was likely to slow corporate expansion, especially because the level of corporate indebtedness was high, economists said.

"Domestic credit extended by the financial system to both the private and public sectors is likely to reach 170 per cent of gross domestic product this year, exceeding even the highs seen in Thailand," said Mr Bernhard Eschweiler, regional economist at J.P. Morgan in Singapore.

Car sales, a key barometer of consumer spending, are growing more slowly than last year and a property glut is expected in 1998, driving rents and some property values downward. The growth in bank loans, at 27.6 per cent last year, had slowed to about 10 per cent so far this year, bankers said.

That Malaysia is heading for an economic slowdown late this year and next no longer appears in doubt, despite exhortations from Dr Mahathir Mohamad, the prime minister, that the country's record of nearly a decade of growth at over 8 per cent annually must not be allowed to falter.

"The question now," said one economist, "is whether the government can pull out of what is starting to look more and more like a very painful landing".

That question takes on an added importance because Malaysia is embarking on several large infrastructure projects, all of which will require ambitious capital spending. Companies have begun work on a new administrative capital to cost M$20bn, a "Cyber-city" to cost at least M$10bn, and a huge hydro-electric dam costing M$13.6bn.

While such schemes are backed by Dr Mahathir and are unlikely to be shelved, economists wonder whether a M$30bn scheme to reclaim islands off the north-west coast, a M$4bn project to construct the world's tallest building in Kuala Lumpur or a planned consumer electronics "city" in the jungle would survive a sharp economic downturn.

James Kynge

NEWS: INTERNATIONAL

Relief and repair team heads for Mir

By Clive Cookson, Science Editor

A relief crew lifted off last night for Russia's damaged Mir space station, where a failure in the main oxygen generating system has brought a fresh problem.

A giant booster rocket carried two cosmonauts, veteran commander Mr Anatoly Solovyov and flight engineer Mr Pavel Vinogradov, into orbit from the Baikonur launch centre in Kazakhstan. Their Soyuz-TM-26 capsule is due to dock with Mir tomorrow.

Over the next two months Mr Solovyov and Mr Vinogradov will undertake an intricate and dangerous series of repairs that will determine the future of the 11-year-old space station.

The Russian space agency is keen to keep Mir inhabited for at least two more years, with technical assistance and funding from the US, until the construction of the planned International Space Station is under way.

The breakdown in Mir's oxygen generator is not critical in the short term – supplies held in oxygen canisters will be sufficient for several weeks – but it adds to the repair list.

The main damage was caused when an unmanned cargo ship collided with the laboratory module, Spektr, during a docking exercise on June 25. Since then Spektr has been sealed off, along with most of Mir's scientific experiments, and the station has been running on half power because solar panels and their associated cables were put out of action.

The cosmonauts expect to make up to six space walks inside and outside Mir. The most dangerous is scheduled for August 20, when they will re-open Spektr and attempt to re-attach the cables. Potential hazards include floating chemicals and sharp debris that could cause a fatal puncture in a space suit.

Later, in September, the new crew will try to seal an inch-long gash in Spektr's outer skin, so that the module can be repressurised and re-occupied.

For a week from tomorrow Mir will have five occupants: they are the two new cosmonauts, their exhausted predecessors – commander Mr Vasily Tsibliyev and engineer Mr Alexander Lazutkin – and Mr Michael Foale, the astronaut representing the US space agency Nasa. Mr Tsibliyev and Mr Lazutkin will then return to earth in a Soyuz capsule, while Mr Foale stays on board until the US shuttle Atlantis brings his successor, Mr David Wolf, in late September or early October.

Critics in the US, including members of Congress, are growing vociferous about Nasa's involvement in Mir, on both safety and financial grounds. But President Bill Clinton has indicated that astronauts will continue to visit the Russian space station, if its defects can be repaired.

Nasa officials say participation in Mir has given them invaluable experience in preparing for the International Space Station.

The Russians are keen to keep the US on board, both for reasons of national pride and because Nasa's contribution of $100m a year for using Mir gives their cash-starved space programme a financial lifeline.

Zeroual fails to calm Algeria

By Roula Khalaf in London

A day after Mr Liamine Zeroual, the Algerian president, promised tough action on terrorism, local newspapers reported yesterday that more than 100 villagers had been massacred since Sunday.

In the worst wave of bloodshed to hit the strife-torn country since 1992, more than 600 people have died in Algeria in the past two months.

Algerian newspapers say the latest massacres were carried out between Sunday and Monday, when 76 farmers were slain in the region of Ain Defla, about 120km southeast of Algiers, while another 35 were killed in two separate massacres in Blida, only 50km south of the capital. The murders were typical of the state of lawlessness that prevails in regions only an hour's drive from Algiers, where farmers have been caught between the terror of Islamist groups and the pressure of the state to stop assisting the armed groups.

The Algerian authorities remain silent on the massacres, and observers and diplomats are increasingly at odds to explain how murders continue to take place and what their political aim might be.

Last week the opposition Socialist Forces Front (FFS) said it failed to understand "the reasons for the absence of official information on these hideous crimes, the incompetence of the state in guaranteeing the security of citizens, and the reasons why those responsible and their leaders are not identified, captured and tried".

The escalation in attacks has coincided with government offensives against mountain hideouts of militants in Hattatba, 80km south-west of Algiers.

Mr Zeroual on Monday said "the state will continue to assure, with unfailing determination, all its responsibilities so that the criminals pay for their actions".

His statement came after reports last week that an armed group attacked a village in Larbaa, 35km south of Algiers, killing 51 people, while the army was in barracks only 50 metres away. The security forces said that bombs had been planted near houses under attack, preventing army intervention.

The Larbaa massacre led the opposition Rally for Culture and Democracy, an anti-Islamist party, to accuse the government of deliberately ignoring Algerians' security. "There are doubts about the government's determination to fight terrorism," said the RCD.

Israel's tourism feels shock

Blasts have cut number of foreign visitors, writes Avi Machlis

When two suicide bombers struck in the centre of Jerusalem last week, killing 13 Israelis and setting back the peace process still further, they also dealt a blow to Israel's tourism industry.

Just days before the bombing, the Israel Hotel Association had held a convention in Jerusalem to assess the prolonged tourism crisis, which has seen the industry struggling to fill hotel rooms since a wave of bus bombings last year. Hopes of a return to the rapid growth enjoyed in early 1996 against a backdrop of progress in the peace process have now been shattered.

"We only hope that, six to nine months from now, we won't look back and say this was the beginning of another slump," said Mr Abraham Rosental, director-general of the association.

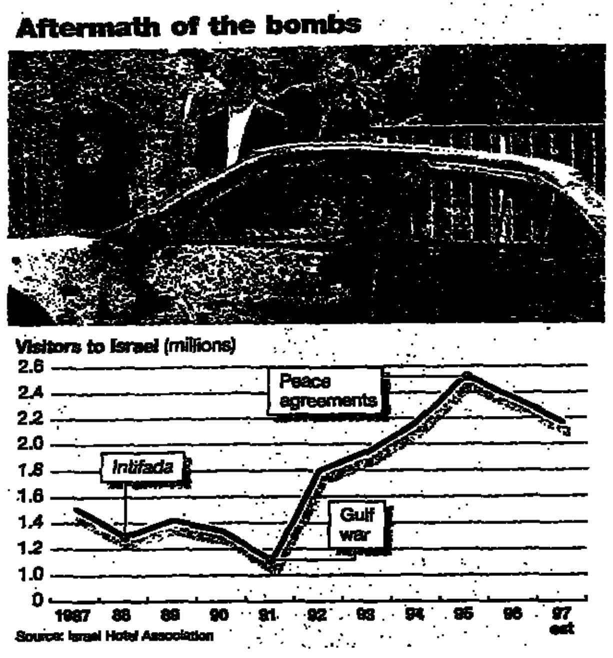
The decline in tourism has been particularly painful as the industry had grown accustomed to 10-12 per cent annual growth between 1993 and 1995, compared with about 3 per cent growth in the industry worldwide.

"People liked the idea of the peace process, stability and the possibility of a Mideast tour package," said Mr Rosental, noting that the influx in tourists to the region was a boon for Jordan and the Palestinians as well.

For Israel, however, the tourism boom was a prime dividend of the peace process. Foreign tourist numbers rose from less than 2m in 1993 to about 2.5m in 1995, with revenues climbing from about $2.5bn to $3.4bn over the same period. Tourism receipts in 1995 accounted for 4 per cent of gross domestic product.

Twenty-eight international hotel chains, including Sheraton and Holiday Inn, positioned themselves in the Holy Land to cash in on the rapid growth.

Aftermath of the bombs



Source: Israel Hotel Association

But since last year's bus bombings, the number of tourists had been falling by about 15 per cent a year, said Mr Rosental.

The hotel association estimates Israel will forfeit about $1.8bn in unrealised tourism revenues for this and last year.

Foreign tourist numbers this year are projected to drop back to the 1994 level of about 2.2m and revenues are set to fall to $3bn, or 2.8 per cent of projected GDP. Although some of the damage has been offset by an upswing in domestic tourism, hotel occupancy rates are declining from a peak of 68 per cent in 1995 towards a projected 61 per cent this year.

Some international chains have arrived in Israel despite the slump, banking on a reversal of the trend. But the outlook is grim.

"The crisis is severe. After the bombings in 1996, we were hoping the elections in May would improve the situation," said Mr Dan Palti, general manager of Holiday Inn in Israel.

"But that didn't help. The Hebron withdrawal agreements were signed last January, but tourism went down. Then the government decided to build Har Homa [settlement, in East Jerusalem]."

At last week's convention, hoteliers stopped short of demanding a change in Israeli policy on the peace talks to help boost their industry. But even their appeals for government help and a cash infusion of $30m to boost marketing efforts this year and next appeared to fall on deaf ears.

Without a change in the peace process, their efforts may be doomed. "As long as the peace process remains stuck," said one finance ministry official, "promoting tourism to Israel will be a lost cause".

INTERNATIONAL NEWS DIGEST

Jordan makes peace move

Crown Prince Hassan of Jordan and Mr Abdel Salam Majali, Jordan's prime minister, will today hold talks on the Middle East peace crisis in Jerusalem with Mr Benjamin Netanyahu, Israel's premier.

The Israeli prime minister's office said a summit planned for today between King Hussein of Jordan and Mr Netanyahu would take place next week although Jordanian officials have not yet confirmed this. The Jordanian initiative is one of several diplomatic efforts to resolve the peace crisis between Israel and the Palestinians, sparked by a suicide bombing which killed 13 Israelis last week.

Mr Hosni Mubarak, Egyptian president, yesterday held talks in Cairo with Mr David Levy, Israel's foreign minister, at which he urged Israel to rethink its settlement policies and its decision to impose sanctions on the Palestinians following the bombing.

Meanwhile, Jordan has announced it will hold elections for the kingdom's 80-seat parliament on November 4. The Islamic Action Front, the political arm of the Moslem Brotherhood in Jordan, has called for a poll boycott.

Avi Machlis, Jerusalem

■ RETRIBUTION PLANNED

Hizbollah threatens attacks

Lebanon's pro-Iranian Hizbollah vowed yesterday to carry out suicide bomb attacks against targets in Israel a day after Israeli troops killed five of its guerrillas in south Lebanon. "Israel will witness explosions and suicide bombings inside all of its posts... inside occupied land," Sheikh Naee'm Kassem, Hizbollah deputy secretary-general, told a crowd at a funeral procession of four fighters in the south Lebanon town of Nabatiyeh.

Peace talks between Israel and both Lebanon and Syria are stalled over Israel's refusal to withdraw from the Golan Heights and from Israel's south Lebanon occupation zone. Israel captured the Golan Heights from Syria in the 1967 Middle East war and carved out the south Lebanon buffer zone in 1985.

On Monday Israeli commandos in helicopters backed by warplanes raided suspected Hizbollah targets in southern Lebanon, triggering fierce clashes at Kfour in Nabatiyeh.

Reuter, Nabatiyeh

■ MOROCCAN CABINET

Hassan dismisses ministers

Morocco's King Hassan has dismissed 19 out of 36 government ministers to allow them to focus on preparations for their electoral campaigns, ahead of legislative elections expected by October.

An official statement said that although the Moroccan constitution allowed ministers to stay in their jobs while campaigning for elections, the king found it "preferable from a moral point of view" that they stepped down.

The decision had been expected for months, and is one reason why much-discussed social reforms are not expected to be tackled before the appointment of a post-election government. A limited interim government is now likely to be named by the king.

Among the departing ministers is Mr Mohamed Kabbaj, who has held the finance portfolio. Mr Kabbaj has been involved in preparations for a rating for Morocco, ahead of a debut issue of eurobonds.

Roula Khalaf, London

NEWS: WORLD TRADE

Tokyo is confident of ports accord

By Bethan Hutton in Tokyo

The Japanese government is confident that threatened US sanctions against Japanese shipping can be averted, despite missing the July 31 deadline for port reform proposals.

Japan's restrictive port practices led to threats earlier this year by the US Federal Maritime Commission to impose from mid-April a penalty of $100,000 on each visit to US ports by ships from three leading Japanese shipping companies.

The threat was suspended until September 4 after Tokyo agreed at the last minute to come up with a framework for port practice reform by the end of July.

The Japanese transport ministry yesterday said talks between the Japan Harbour Transportation Association (JHTA), which represents companies employing port workers, and two shipping company bodies – the Japan Shipowners Association and the Japan Foreign Steamship Association – were nearing conclusion.

The JHTA is at the centre of the "prior consultation" system, which is the focus of most complaints. Under this, all changes to port call schedules and other issues which could affect port workers must be notified to the JHTA in advance.

The FMC claims the system is arbitrary, opaque and reduces flexibility and raises costs. "The JHTA uses its authority to disrupt the business operations of its detractors, extract payment of unwarranted fees, and impose operational restrictions, such as Sunday work limits," the FMC said in February, when it first threatened sanctions.

It is also pushing for licensing rules to be eased to allow foreign companies to set up stevedoring operations in Japan.

Port labour unions, which are behind the JHTA, say they were not consulted when Tokyo agreed to implement reforms.

US warned over WTO telecom rules

By Michael Smith in Brussels

The European Commission has told the US that it risks violating its world trading obligations because of the way it plans to incorporate a recent global agreement on telecoms market liberalisation into law.

It is concerned that draft US rules implementing a World Trade Organisation deal in February would result in the US being able to deny telecoms licences to foreign companies on ill-defined grounds, including "public interest".

Brussels is urging the US Federal Communications Commission to reconsider the rules, which were published in June and are due for implementation on January 1 next year. In a formal response to the proposals it has reserved for the EU and member states the right to challenge the draft rules under the WTO.

Although the US telecoms market is more liberal than most, EU countries believe there is room for further opening up and are anxious that their companies are given free access to the US at a time when EU legislation is forcing them to accept greater competition.

The EU regards the WTO telecoms deal as one of the most significant trade agreements since the Uruguay Round of multilateral talks. It believes that the deal provides the framework for fairer competition, cheaper calls and increased traffic.

If implemented as intended the WTO deal would reduce considerably the barriers to market entry, but the EU is concerned that the US proposals would weaken its impact.

The EU yesterday welcomed a US initiative to eliminate an "effective competition test" for access to international telecoms services in the US.

However, it said it was concerned at what it considers to be the US plan to use "broad and unclear" public interest factors in deciding whether to grant applications for licences. The public interest factors include "law and enforcement," "foreign policy" and "trade concerns".

Brussels believes that the US commission would use an unclear concept of "very high risk to competition" as a justification for refusing a licence.

It is also concerned that the US proposals assume that different safeguards are needed for US telecoms carriers affiliated to foreign carriers which either have market power in destination countries or do not face international facilities-based competition in the destination market.

"Given the need to ensure prompt and full implementation of the WTO agreement and to provide the expected benefits to telecoms users in both the EU and the US, the EU urges the FCC to reconsider its proposed approach," it said.

Mad cow row refuses to die down

Neil Buckley examines conflict of interests between consumer health and industry

Seventeen months after the UK first announced a possible link between bovine spongiform encephalopathy, or "mad cow disease", and a fatal human brain disorder, the international repercussions refuse to die down.

Scarcely has the European Commission got over its roasting earlier this year by the European Parliament for allegedly putting the interests of the beef industry above consumer health, than it finds itself attacked by industry for putting consumer protection above science – and facing a potential trade row with the US.

The latest dispute, over EU-wide rules banning the parts of cattle most at risk of transmitting mad cow disease from food or other products, highlights how politicians' zeal to protect consumer health can conflict with the interests of industry and trade.

The European Commission first proposed banning high-risk cattle materials – mainly the brain and spinal cord – across Europe last year. EU ministers rejected the plans, saying they were unnecessary given the low levels of mad cow disease outside Britain.

Pressure on Brussels to act, however, escalated this year. First came February's report from the European Parliament sharply criticising the Commission's handling of the mad cow affair.

Franz Fischler: Industry is predicting chaos over the Commission's total ban on use of risk materials *Reuter*

Parliament threatened to use its ultimate sanction – a motion to sack all 20 European commissioners – unless Brussels revamped its consumer protection policies within nine months.

Recently pressure has come from the UK, whose agriculture secretary, Mr Jack Cunningham, said the UK, which some time ago imposed controls on high-risk materials, would restrict beef imports from other EU countries unless they adopted similar controls.

After much arm-twisting, the Commission persuaded eight out of 15 EU farm ministers to support the measures last month. That was not a qualified majority, but under arcane EU rules on health issues it was enough to allow Brussels to impose the measures – which it did last Wednesday.

But the original proposals from Mr Franz Fischler, EU agriculture commissioner, to ban risk materials from the food chain were extended and they now outlaw the use of risk materials "for any purpose".

That includes tallow, or animal fat used in candles and soap. Tallow derivatives are used in 80 per cent of all pharmaceutical products, cosmetics, and everything from paints to plastics.

The result, says industry, could be chaos. Tallow is usually made by boiling entire cattle carcases, so until slaughterhouses and processors change their practices tallow meeting the new rules will not be available.

That, in turn, could lead to temporary shutdowns of manufacturers relying on tallow.

Meanwhile, countries including the US, Canada and New Zealand complain they could be barred from exporting tallow to Europe unless they change their own slaughterhouse rules.

The US has already threatened to complain to the WTO and is confident of winning the case.

WORLD TRADE NEWS DIGEST

Dominican piracy protest

The failure of the Dominican government to enforce piracy laws is scaring away foreign investment, according to a report by the US embassy.

In its latest commercial guide, the US embassy in Santo Domingo accused the Dominican government of violating the Uruguay Accord, which requires countries to protect commercially licensed products from illegal reproduction.

"The history of corruption and poor organisation at [Dominican] ports constitute additional barriers to international commerce," the report said.

The most commonly pirated products in the Dominican Republic are computer programs, films, music recordings, and television programmes transmitted without proper authorisation, according to police.

In June, Dominican police raided markets and warehouses in the capital, seizing pirated computer software, cassettes, and other illegal goods, after Microsoft, the US software group, with Adobe and Autodesk, filed complaints with the Dominican Association of Software Producers and the Business Software Alliance.

AP-Dow Jones, San Domingo

■ INDIAN INDUSTRY

Tata in radiator joint venture

Tata AutoComp Systems, an affiliate of India's Tata group, Mitsubishi of Japan and Toyo Radiator, Japan's largest independent radiator maker, have formed a joint venture to design and make aluminium brazed radiators for cars and lorries.

The joint venture, Tata Toyo Radiator, plans investment of Rs500m ($14m). It will supply Japanese carmakers entering India from a plant near Pune.

The investment in facilities for aluminium brazed radiators is in line with global trends away from traditional copper and brass radiators which still dominate the Indian market.

Tata AutoComp Systems is a holding company set up by the Tata group to promote a series of joint venture companies to bring world-class technologies to India and help establish Indian skills in engineering and manufacturing.

Reuter, Bombay

■ PETROCHEMICALS

Acid plant investment agreed

Indo-Rama Synthetics, the second largest producer of polyester in India, has signed a memorandum of understanding to form a joint venture with two Japanese companies to build a purified terephthalic acid (PTA) plant.

The PTA project, set up through a new company – Indo-Rama Petrochemicals – will be the largest investment by Japanese companies in India.

It will be set up at Parwada near the port city of Visakhapatnam in the south Indian state of Andhra Pradesh at a cost of Rs12bn ($335m). Indo Rama will retain a 60 per cent stake in the venture, with the rest split between Itochu, the Japanese trading company, and Mitsui Petrochemical Industries.

The equity component of the investment will be Rs4bn. Indo-Rama will contribute Rs2.4bn and the two Japanese partners Rs1.6bn. The PTA plant will have a capacity of 350,000 tonnes per annum and is due to be commissioned by the end of 1999.

Reuter, Hyderabad

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Fears grow over Brazilian deficit

By Geoff Dyer in São Paulo

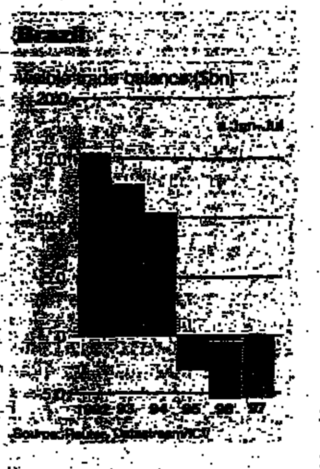
Brazil recorded an unexpectedly high trade deficit of $811m in July, bringing the total shortfall for the year so far to the same level as the whole of 1996.

Economists said that unexpectedly high imports of oil were the main reason for the deficit exceeding forecasts of a shortfall of about $550m. Exports in July were $5.24bn while imports were $6.05bn.

Brazil's deteriorating trade position has raised concerns that its currency might come under pressure from speculators, following the currency crisis in south-east Asia. Leaked news of July's deficit figure prompted a sharp fall on the São Paulo stock exchange on Friday.

The total trade deficit up to the end of July was $5.52bn, against $5.54bn for the whole of last year. The July result follows trade deficits in May and June which were well below forecasts due to a strong soya harvest.

Economists said that although the July result was worse than expected the outlook was now more stable than it had been earlier in the year. Mr Mauro Schneider, chief economist at ING Barings in São Paulo, said that forecasts for the full-year trade deficit, which some economists had feared might end up exceeding $15bn, had stabilised at $11bn-$12bn.



High stock levels were likely to damp down demand for imports in the short-term, he said.

Although Brazil is now running a current account deficit which exceeds 4 per cent of gross domestic product, economists said that the government's privatisation programme was prompting a strong inflow of long-term capital which was providing solid funding for the current account deficit.

The Brazilian central bank announced on Monday that international reserves had increased to $60.3bn by the end of July, a rise of $2.8bn last month. Economists said this showed continued confidence among investors that the trade balance would not cause a currency crisis in the short-term.

A further large capital inflow is expected this month due to the privatisation of the electricity distribution company in the state of Bahia and the expected sale of more cellular telephone concessions.

A slowdown in retail sales in recent months has reduced the likelihood that the government will introduce tough credit restrictions to restrain imports of consumer durables, as many economists had predicted. A modest set of credit restrictions has already been introduced.

The British government yesterday pledged to help inhabitants of Montserrat build new homes following the series of volcanic eruptions that have left more than half the Caribbean island uninhabitable, John Kampfner in London writes.

Ms Clare Short (right), international development secretary, said after talks in London with Mr Bertrand Osborne (left), Montserrat's chief minister, that the UK was committed to creating a "viable future" for the island. Britain has committed £37m ($60m) to its colony since last August, including £6.5m to build emergency shelters for some of the 4,000 people still remaining. Attention is being focused on a 15-square-mile safe area in the north.

In spite of the exodus after a volcanic eruption on June 25 killed 10 people and left nine missing and believed dead, Ms Short said a full-scale evacuation was not under discussion. She said she would be sending Mr George Foulkes, her deputy, this month for talks on rebuilding.

UPS battles with strike

By Richard Tomkins in New York

United Parcel Service, by far the biggest US package delivery company, was yesterday operating little more than a skeleton service, despite efforts by management and non-union employees to counter the effects of a national strike by blue-collar workers.

As the strike entered its second day, managers with pilots' licences were flying some of the company's aircraft in an effort to maintain deliveries, but UPS acknowledged it was carrying less than 10 per cent of its normal volume.

US businesses across the states were suffering disruption, but most seemed to have made contingency plans for the strike. Some were using the US Postal Service or alternative private-sector carriers such as Federal Express to make urgent deliveries.

Others, including some of the biggest mail order companies, were delaying non-urgent deliveries in the hope the strike would end soon. But UPS's management and the workers' union, the International Brotherhood of Teamsters, were not talking to each other yesterday, with no plans for talks to resume.

The dispute is over the terms of a new five-year labour contract, with management and the Teamsters offering differing versions of the main issue at stake.

The Teamsters say the strike is about the management's use of part-time workers, which now account for 58 per cent of the workforce and are paid less per hour than full-time employees.

UPS claimed the union had brought up the issue of part-time jobs to disguise its greater concerns over the company's plan to replace the existing pension scheme, controlled by the Teamsters, with a new fund that would be controlled jointly by the union and the company.

UPS estimates that the 12m packages it carries on an average working day account for more than 5 per cent of US gross domestic product, but President Bill Clinton has so far turned down company requests to intervene.

AMERICAS NEWS DIGEST

Clinton signs budget bill

In a triumphant White House ceremony, US president Bill Clinton yesterday signed a balanced budget bill and the largest tax cut in 16 years, hailing the legislation as "a true milestone for our generation".

Surrounded by beaming congressional Republicans, who saw many of their long-cherished goals signed into law, Mr Clinton declared: "Together we have fulfilled the responsibility of our generation to guarantee the opportunity for the next generation."

The ceremony was an occasion for demonstrating the president's political mastery. He gave no sign that much of the legislation contained a Republican agenda – a balanced budget by 2002 and $500 tax credits for children, for example – which he had embraced and made his own.

He dwelt on the education tax deduction which opened the "doors of college for the next generation" and expanded medical care for poor children.

He made no mention of the Republicans' greatest triumphs: massive capital gains tax reductions, inheritance tax cuts and child tax credits for families with incomes up to $110,000. Three-quarters of the tax relief will go to Americans earning more than $100,000 a year, according to the Citizens for Tax Justice lobby group.

The president praised the bipartisan effort and called for its continuation. "In common we were able to transform this era of challenge into an era of unparalleled possibilities for the American people," he said.

He mentioned several times the part played by trade in the economic boom, foreshadowing the expected battle this autumn with the Republican leadership over the right to negotiate new trade deals with countries in Latin America and Asia. The president's so-called fast track negotiating authority is opposed by populist politicians on all sides. *Nancy Dunne, Washington*

■ ARGENTINA ECONOMY

$824m IADB loan secured

The Inter American Development Bank (IADB) has agreed to lend Argentina $824m, the state-run news agency Telam said. A $370m loan will be added to a programme to help 100,000 poor youngsters find work while a further $104m loan will go on improvements to the efficiency of ports. The state is to contribute $104m in additional resources.

In addition, the Buenos Aires province will get a $350m loan to fund 50 per cent of a programme aimed at reforming the provincial state and strengthen its fiscal system. Mr Enrique Iglesias, IADB president, said he expected the loan to be approved by the first quarter of next year. *Reuter, Buenos Aires*

■ US ECONOMY

Indicators signal strong year

US economy activity should remain strong for the rest of the year, a report published by the Conference Board, an influential private research group, said yesterday. The index of leading indicators, a basket of statistics that predicts economic activity about six months ahead, held steady in June, after an increase of 0.3 per cent in May and a fall of 0.1 per cent in April.

Mr Michael Boldin, project director at the New York-based board, said there were strong indications the US economy would continue growing at higher rates than the 2.2 per cent registered in the second quarter. The risk of a recession was small, he said.

In the six months to June, the index increased by 1.1 per cent, twice the historical average, Mr Boldin said. Seven of the 10 leading indicators advanced. Stock market prices and the money supply were the main positive contributors in June. *Leslie Crawford, Washington*

■ BOLIVIAN POLITICS

Banzer returns as democrat

Bolivia's General Hugo Banzer today becomes the first dictator in Latin America to return as a democratically elected president. Under the recently amended constitution, he will be head of state until 2002.

Having won more of the first round popular vote on June 1 than any rival candidate (though still under 21 per cent), the 71-year-old general has succeeded in putting together what Bolivians are calling a "mega-coalition" in Congress. After several weeks of political horse-trading, a large majority of the 157 congressmen elected to both houses pledged support for a Banzer government in a marathon Monday night session.

Gen Banzer ousted another general, Gen Juan José Torres, in 1971 and governed Bolivia until 1978 when spiralling social unrest obliged him to call elections. He is remembered for his authoritarian rule and multiple human rights violations: official figures give 19,140 opponents exiled and 200 killed or "disappeared" during his seven-year rule. Today however, his supporters point out his more recent democratic credentials.

Six Latin American presidents – Argentina, Uruguay, Paraguay, Peru, Ecuador and Colombia – will attend today's ceremony in La Paz. *Sally Bowen, La Paz*

Opposition describes former BP chairman's move as an incredible U-turn

Beleaguered minister to sell shares

By John Kampfner and Liam Halligan

Lord Simon, the Labour administration's most prized recruit from the business world, announced yesterday he is to sell his shares in British Petroleum in an attempt to end a damaging affair for the government.

The former BP chairman's decision – which involves £2m ($3.2m) worth of shares held in an off-shore corporate trust – was described by the opposition Conservative party as an incredible U-turn.

Lord Simon was appointed the minister for competitiveness in Europe by the Blair government.

Giving his first public statement on the issue, Lord Simon said publication of BP's second quarter results, along with permission from his successor at the company, had allowed him to sell the shares "earlier than originally planned".

He made clear he would donate to charity the substantial gains from the appreciation in his shares since he joined the government on May 7. He confirmed that his shares would be repatriated in a blind trust, to join his non-BP holdings, for which full tax and capital gains are liable.

"I have acted in accordance with the letter and spirit of the rules throughout this affair; I have acted with complete propriety," he said at a hastily-convened appearance at the trade and industry department. "I deeply regret the innuendoes put forward by the opposition in this affair and hope they do not discourage other business people seeking a position in public life."

Lord Simon disclosed that he had joined the Labour party only after the general election on May 1.

Ministers expressed confidence that the BP announcement had put an end to a difficult week for the government, which has seen the suicide of Mr Gordon McMaster, a Scottish MP, marital break-up for Mr Robin Cook, the foreign secretary, and the decisive loss of a by-election.

A cabinet member said: "The Simon business has been mishandled from the start. We weren't as sure-footed as we should have been."

Mr John Redwood, the Conservatives' chief trade and industry spokesman, said Lord Simon's move had vindicated his attacks.

He pointed to previous assertions from ministers that Lord Simon would not sell his shares before January 1998.

"Labour's U-turn confirms the nonsense of their attempt to bring someone into government on the basis of their expertise in the oil and chemicals industry, but then having to prevent them from dealing with issues which have a bearing on BP because of a personal financial interest," he said.

Lex, Page 10
Shares buy-back, Page 11

US-style system proposed to update cricket

By Patrick Harverson in London

English summers may never be the same again. The ruling body of English cricket yesterday unveiled a "radical" plan to modernise a sport that has been left largely untouched since the legendary WG Grace was putting willow to leather to dramatic effect during the reign of Queen Victoria.

Under the changes, the long-standing English county championship would be replaced with an American-style system of three separate "conferences" and end-of-season playoffs.

The one-day game would also be restructured, more floodlit night cricket would be encouraged, and amateur minor county and club cricket would be reorganised along more professional lines.

The proposals to restructure the sport were drawn up by Lord Maclaurin, chairman of the England and Wales Cricket Board and the former head of the Tesco supermarket group. He was brought in to sort out the game last year after the woeful record of the English cricket team in international matches became too much for the sport's administrators to bear.

Yesterday, Lord Maclaurin outlined the plan at Lord's, cricket's notoriously stuffy London headquarters, with the aid of a slick audio-visual presentation accompanied by a throbbing electronic dance music track.

The aim of the changes, he said, was to reduce the quantity and improve the quality of cricket played at the top of the sport. The reforms would make the game more attractive to fans, television viewers and sponsors, he said, and attract more revenues to the game.

The reforms were not as radical as some had expected. In particular, Lord Maclaurin and Mr Tim Lamb, the ECB chief executive, rejected the idea of creating a football-style two-division county championship with promotion and relegation. They concluded that this would jeopardise the financial survival of some smaller counties.

Lord Maclaurin said he was confident his proposals would be approved by the 18 first-class counties and the non-professional minor counties and league cricket clubs when they meet next month.

The changes may not please everyone, particularly the cricket-loving traditionalists – such as former prime minister Mr John Major – who treasure the ancient structures and gentle rhythms of a game often played at a somnolent pace in front of sparse crowds made up mostly of retired colonels wearing blue blazers and striped ties.

Editorial comment, Page 9

UK NEWS DIGEST

Fujitsu offshoot in $260m deal

ICL, the UK systems and services offshoot of Fujitsu, has won a £160m ($260m) five-year outsourcing contract to manage part of the telecommunications business of BG, formerly the state-owned British Gas.

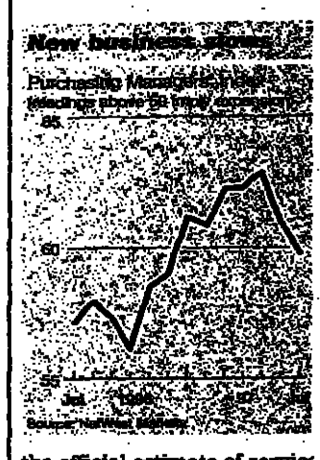
Under the deal, ICL will own and manage the telecoms infrastructure used by Transco, BG's pipeline business. This will also include the transfer of Transco's microwave radio network, which includes 300 radio masts as well as a network management system.

ICL also intends to use the spare capacity in the Transco network to offer its own network services to large corporate users. The group is in the process of applying for a national telecoms licence.

ICL will pay £30m for certain BG assets. BG will have an option to buy back the assets if the contract is not renewed. *Christopher Price, London*

■ STERLING'S STRENGTH

Service sector business 'choked'



Sterling's strength is beginning to choke off business for UK service providers even though they are less exposed to international competition than most manufacturing firms. In its latest monthly survey, the Chartered Institute of Purchasing and Supply said yesterday it had found "the first evidence of the strength of the pound damaging the competitiveness of UK service providers". The rate of growth of new business slowed slightly in July, but the CIPS said its results still suggested that the official estimate of service sector output growth for the second quarter could be revised upwards. The Office for National Statistics meanwhile reported a 0.1 per cent fall in manufacturing production between the first and second quarters of this year. This came in spite of a 0.4 per cent rise in output in June following a 0.9 per cent decline in the preceding month. The statistics office said sterling's strength had "no obvious effect" on the figures. But Ms Marian Bell, an economist at Royal Bank of Scotland, said manufacturing was suffering from the "sterling effect" and being hit by import substitution. Production of cars fell by 3.1 per cent between the first and second quarters. *Richard Adams and Robert Chote, London*

■ NORTHERN IRELAND

Protestant parades crisis eases

A possible weekend clash in Northern Ireland appeared to have been averted yesterday when the Protestant Apprentice Boys organisation accepted police orders to re-route parades through two nationalist villages and in Belfast, the capital.

The parades, by local members of the organisation, were due to be held on Saturday before they set off to the main 12,000-strong Apprentice Boys' annual parade in Londonderry, the second-largest city in Northern Ireland. Residents of the nationalist Bogside district in the city had said they would stage a counter parade if the village and Belfast parades were not re-routed or were allowed to go ahead without the agreement of local nationalist residents.

■ VIDEO RETAIL DATA

Rentals decline as sales rise

The popularity of the video versions of *Friends*, the hit television series, and *Independence Day*, last summer's Hollywood blockbuster, together with the Spice Girls' pop video triggered a 10 per cent increase in video sales to 17.16m units in the first half of this year, according to figures from the British Video Association. By contrast, the rental sector continued to decline.

The BVA's analysis suggests that the number of rental transactions fell by 7 per cent during the first half, against the same period in 1996. *Alice Rawsthorn, London*

■ HOLIDAY STRIKE

Ferry workers accept offer

Scottish ferry workers have voted unanimously to accept a union and management deal, ending a strike which marooned thousands of holidaymakers at resorts on islands in the Clyde estuary. The 160 ratings decided to return to work after accepting an agreement between state-owned Caledonian MacBrayne and their RMT transport union. A joint statement from both sides said a 3 per cent pay rise had been accepted. *Andrew Bolger, London*

Directors may face company 'super-code'

By William Lewis and Jim Kelly in London

Directors and shareholders face the prospect of a new "super-code" on how best to run companies following publication yesterday of the Hampel committee's interim report on corporate governance.

Sir Ronald Hampel, chairman of Imperial Chemical Industries, plans to merge the recommendations of his committee with the codes produced by its predecessors, the Cadbury committee on corporate governance, and the Greenbury committee on executive pay.

The foreword to the Hampel committee's draft report says the committee intends to "draw together the conclusions of Cadbury, Greenbury and this committee into a single set of principles and code".

However, at a press conference, Sir Ronald said that he did not know at this stage which bits of the three governance committee reports would be retained. The apparent confusion was seized on by corporate governance experts, who said the key issue was how the proposed single code was produced.

Ms Anne Simpson, joint managing director of Pirc, the UK's leading corporate governance consultancy, said: "A code of codes would be ridiculous. Cadbury is widely supported by the institutions and it has had a tangible effect on companies."

Mr Anthony Carey of the Institute of Chartered Accountants, said: "We do not wish to see a rulebook approach but we don't want a DIY [do-it-youseelf] manual either – there should be clear benchmarks."

As disclosed earlier this week by the Financial Times, the Hampel committee report urges a flexible approach by shareholders and others in judging corporate governance best practice.

The interim report says shareholders should drop the so-called "tick-box" approach, of checking compliance to rules, and instead take account of the diversity of "circumstances and experience among companies".

Overall, the report was well received by companies and shareholder groups thoughthe Trades Union Congress attacked the report for recognising the importance of stakeholders but not proposing measures to account for their views.

The Hampel report tackles four broad areas in detail.

● Directors. There is no support for German-style two-tier boards. Directors should submit themselves for re-election at least every three years. Any director who resigns over policy should explain why to the shareholders. A majority of non-executive directors should be entirely independent. One third of the board – at least – should be non-executives.

● Directors' remuneration. Hampel sees "no objection" to paying non-executives in shares – but like Cadbury sees a problem in them being given share options as it may cloud their judgment. Hampel agrees with Cadbury that contract periods should be one year or less, though up to two years may be acceptable.

● Shareholders. Funds are urged – through their professional bodies – to mesh voting codes. At the AGM, all companies should provide a "full business presentation". All proxy votes should be counted before the meeting and the count announced after the show of hands. Resolutions should not be "bundled" together – a common practice.

● Accountability and audit. Hampel asks regulators to consider reducing the current 10 per cent limit on the proportion of audit income which an audit firm may earn from any one client – to help bolster auditor independence. It also recommends that directors should not have to declare in the accounts that internal controls are "effective". Hampel says the word – which has caused great problems – is too sweeping and almost meaningless.

Rotten boroughs, Page 8
Lex, Page 10

Rail staff in uniform protest

Rail staff who work for Connex South-East are protesting against their new uniform after suffering mocking comments from passengers, Andrew Bolger writes.
The company, the UK transport subsidiary of the French water group, Compagnie Generale des Eaux (CGE), runs trains from London Victoria to towns on the south coast of England. Last year, Connex began issuing a distinctive uniform (above), bearing the company colours of blue, with a bright yellow waistcoat and a blue peaked cap with yellow braid. The RMT trade union said yesterday that three of its members had been subjected to disciplinary hearings for not wearing the full uniform – including the hat – in hot weather. It said that under British Rail, the former state system, staff were allowed not to wear hats. Connex denied disciplining anyone. Picture: Ashley Ashwood

Big record retailers to open online stores

By Alice Rawsthorn in London

Virgin Megastores and HMV, two of the UK's largest record retailers, are developing plans to launch internet sites selling albums, videos and other entertainment products.

The online initiatives may encourage record companies to accelerate plans to sell music from existing promotional internet sites, bringing them into competition with their retail customers.

Selling albums over the internet could also affect pricing in the UK music market. Virgin's and HMV's online operations will compete against US-based internet retailers, such as CDnow and Tower Records. These sites sell albums at US retail prices, which are significantly lower than in the UK.

Virgin's and HMV's online record shops appear as Waterstone's and Dillons, the UK book chains, are finalising proposals to sell on the internet. Books and music are among the most popular areas of internet retailing in north America.

The online music market was worth $18.2m last year and should increase to $47m in 1997, according to Jupiter Research, a US internet research consultancy. It expects the market to be worth $1.6bn, representing 7.5 per cent of global music sales, by 2002.

Optimistic forecasts for the online market, coupled with the threat of losing sales to US sites, which already sell a third of their products outside north America, prompted Virgin and HMV to set up their own internet record stores.

Virgin, part of the W.H. Smith retail group, plans to introduce a website soon. It will stock the 140,000 product lines sold at its flagship Virgin Megastore on London's Oxford Street.

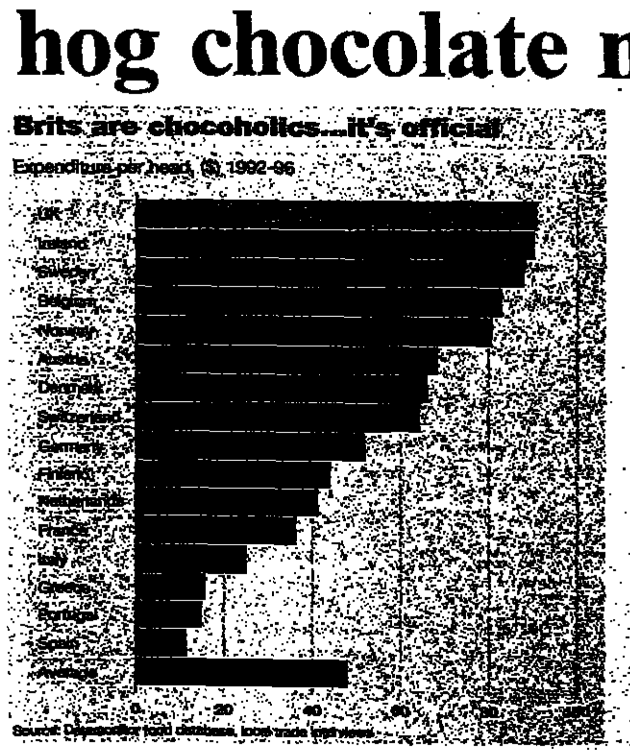
Consumers will e-mail orders and credit card details to the site. Their orders will be posted to them by Virgin Entertainment Direct (VED), a direct sales division.

HMV, a subsidiary of the EMI music group, is adopting a more cautious approach to going online. Next month, it will introduce an internet information site through which consumers can e-mail orders to the HMV Direct mail order service.

Annual consumption higher than in any other European country

Britons hog chocolate market

By Peggy Hollinger in London



Britain consumes more chocolate per head than any other European country, says a survey by Datamonitor, the firm of management consultants. The average consumer in the UK spends $91.11 a year on chocolate, eating almost 14kg annually, it adds.

The Republic of Ireland comes a close second, with average consumers spending $90.39 on 13.72kg a year.

Belgium and Switzerland, renowned for their chocolate-making skills, rank numbers four and eight in the league table of per capita spending.

The confectionery market in Europe is now worth more than $30bn, and no one is contributing more to this figure than the British, says Datamonitor.

Britons spend $5.3bn a year on chocolate, a quarter more than Europe's second largest market, Germany ($4.3bn), and substantially more than the number three market, France ($2.1bn).

The total chocolate market in western Europe is $18.5bn, up from $16.8bn in 1992.

According to Roccoco, the retailer of hand-made chocolates based in Chelsea, London, the British love affair with chocolate is becoming ever more adventurous. Consumers are moving away from traditional milk chocolate to bitter dark bars, and flavours such as chilli and Earl Grey are selling well. "People just always want chocolate," the company said.

Chocolate has been credited with a number of unique qualities since it was introduced to Europeans by the Spanish explorer Hernan Cortes, who first drank it at the court of Montezuma in 1519.

Claims that it is an aphrodisiac have been backed by scientific evidence that it speeds up the heart rate and increases blood pressure, similar to the effects of an orgasm. A study has shown that three out of four American women actually prefer chocolate to sex.

Most recently doctors claimed that chocolate could help in the prevention of heart attacks. It contains phenol – an antioxidant ingredient which helps prevent arteries becoming furred.

● Two pub groups have banned the sale of "alcopop" alcoholic fruit drinks in their outlets. JD Wetherspoon, the independent chain, has banned alcopops from all of its 194 pubs, while Whitbread has stopped serving them in 400 of its 1,700 pubs. "Alcopops", unknown in Britain until the early 1990s, now account for 5 per cent of the country's alcoholic drinks market.

The moves come just a month after the government announced a crackdown on under-age drinking, including recruiting teenage "spies" to catch retailers which break the law. The sale of alcopops was a focus of government actions.

Wetherspoon said it was banning the sale of alcopops, not from any moral standpoint, but because the company did not want to be associated with "the enormous amount of bad publicity".

Whitbread, which manufactures two alcopops, Shott's and Wild Brew, said it had decided the drinks were inappropriate for its family pubs. But in its other outlets "adults should still have the right to choose".

[redacted]

Television/Christopher Dunkley

Into the desert

We must keep an eye on *Newsnight*. It seems that the enthusiastic, likeable, and highly professional presenter/interviewer Peter Snow has left for good; Jeremy Paxman, the most effective political interviewer on television, is having a sabbatical (not to mention twins) while writing a book; and those minding the shop do not seem to be too clear about what sort of business they are supposed to be looking after. There are ominous signs that someone is trying to enlist the programme in the old Birtian "mission to explain".

Until recently you could rely on *Newsnight* to provide a late-evening digest of the news for grown-ups, with discussions starting from the assumption that *the* audience already had some idea of what was going on in the world. Now, often the tone reminds you of Janet and John. Last week a reporter *flashed* her lipstick at the camera and, as though addressing the Spice Girls fan club, trilled rhetorically "It's at this point that the phrase 'integrated transport policy' usually crops up. But what does that mean?" The world is already chock-a-block with television for the gormless. *Newsnight* was one small enclave for the thinking viewer. If we cannot rely on BBC2 to sustain even that, then television will, indeed, become merely part of Priestley's predicted "admass".

★

It is hard to avoid *schadenfreude* when told that the ratings for formula one motor racing have tumbled since ITV used its moneybags to take coverage away from the BBC. To be fair, it seems pretty clear that the main reason for the decline is the disappearance of a credible British challenger; the ratings remained healthy so long as Damon Hill had a chance of winning the world title. What seems odd is ITV's belief that lost viewers can be clawed back by padding out coverage with qualifying laps, trackside interviews, and stunts such as racing drivers giving a long start to a family saloon and then haring round the circuit to overtake just before the finish.

★

There were some strikingly beautiful pictures of the Arabian desert, by starlight in Channel 4's *True Stories* programme about Michael Asher's attempts to check the truth of T.E. Lawrence's claims about the speed of some of his famous camel journeys in the desert. Asher was horrified when he failed to match Lawrence's times.

But, however pretty the pictures, why did we have to follow his fruitless and repetitive efforts for 80 minutes, given that in the final three minutes of the programme he popped into the British Museum and proved from Lawrence's diary that the claims in *The Seven Pillars Of Wisdom* are exaggerations – or, to be frank, lies?

The SatCab Top 10

1. Babe (talking pig movie)	Movie Channel	1.42m
2. Ibiza Uncovered	Sky 1	1.11m
3. Dangerous Minds	Sky Movies	1.05m
4. Big Time Boxing	Sky Sports 1	0.83m
4. The Simpsons (Sun 6.30)	Sky 1	0.83m
6. Football (Tuesday)	Sky Sports 1	0.77m
7. The Simpsons (Mon)	Sky 1	0.65m
7. The Simpsons (Sun 6.00)	Sky 1	0.65m
9. The Simpsons (Thurs)	Sky 1	0.63m
10. Football (Wed)	Sky Sports 1	0.58m

★

Television has never been much good at making programmes about its own output. In fact it has shown little flair for programmes about any aspect of any mass medium. Barry Norman's *Film 97*, which began as *Film 72*, still provides an admirable weekly review when it is on the air and, before its recent death, *What The Papers Say* could be witty and trenchant in the hands of a good presenter such as Paul Foot. But since Melvyn Bragg abandoned the BBC's *Read All About It* 20 years ago to take over ITV's main arts series, all book programmes have been flash or shallow or both. And since the BBC killed *Did You See?* there has not been a worthwhile critical programme about television.

Unfortunately the introduction of *Nightwatch* at midnight on Tuesdays on Channel 4 has not changed this. Here is yet another cheap phone-in, with yet another presenter whose chief qualification seems to be his non-English accent. The subjects are dispiritingly predictable: *The Teletubbies*, the treatment of homosexuals on television, sci-fi series such as *Star Trek*, and so on. If visual chewing gum is wanted, we already have BBC1, ITV, Channel 5, satellite and cable television. Why can we not have something a little more rigorous and thoughtful from BBC2 and Channel 4?

★

No one ever seems to publish a Top 10 ratings list for the "alternative technologies", the satellite and cable networks, although BARB does issue individual top tens for each one – Sky 1, UK Gold and so on. So here is a Satellite/Cable Top 10 constructed from those lists for the week ending July 20 (see table). Apart from showing what a huge part is played by *The Simpsons* in winning the alternative channels their aggregate 12 per cent share of the national audience, what this also proves is that none of the 34 "alternative" channels could get a single programme into any of the Top Thirties on BBC1, ITV or Channel 4. *Babe* would slip onto the bottom of the BBC2 list at No 24. *Coronation Street* and *EastEnders* are currently getting audiences above 16m.

★

The fact that a programme is lowbrow American rubbish, and technically crude, may mean that it is likely to become fashionable, but it does not prove that it is clever, ironic, or witty. *King Of The Hill*, Channel 4's new so-called "adult" animated cartoon on Friday nights, featuring yet another deadpan American blue-collar family, is marginally better than the boring *Simpsons*, and much better than *Beavis And Butt-head* (which puts you in mind of a couple of toddlers standing behind a garden gate shouting "Knickers" at passers-by). But all 30 minutes of *King Of The Hill* are not worth five of any Hanna-Barbera *Tom And Jerry* cartoon, nor one minute of Wallace and Gromit.

★

The Thursday night BBC2 series *How Buildings Learn*, written and presented by Stewart Brand, produced and directed by Janet Lee, is proving to be the most sane and thoughtful ever made on the question of what architecture can and should mean. Last week's programme made the unarguable – yet rarely heard – point that the best places to live are those which have grown up in response to needs, a process at the opposite end of the spectrum from "town planning". Unhappily there are only two more editions to go.

Ballet/Clement Crisp

'Juliet' carries the Kirov

Four years ago the Kirov Ballet brought a staging of Lavrovsky's *Romeo and Juliet* to London for the first time. This was the ballet which had opened the Bolshoi season at Covent Garden in 1956 and had bowled us over, from that thrilling initial moment when we saw Ulanova in the Prologue's triptych of the lovers on either side of Friar Laurence. The Kirov version in 1993 was shoddy:a production meant for touring, trimmed in effects, danced with exquisite reluctance by most of its cast.

Returned to the Coliseum on Monday,it still looks odd. The Pyotr Williams designs have a cursory air; the costuming is a triumph of haberdashery over art; the opening triptych is omitted, albeit listed in the programme. But there is spirit to the piece now, and some honour to the performance. I don't think it is a particularly decent view of Lavrovsky's ballet, whose panoramic sweep won our hearts in 1956, and some of the characterisations are flimsy. Yet at its heart on Monday was Altynai Asylmuratova's Juliet, and she justified every moment. None of the other playing came near her. Viktor Baranov is an unimpassioned Romeo, but the role is not very interesting in this version. All eyes are on Juliet, as they were in 1956 when Ulanova's simplicity and beauty were luminous with feeling. Save for Ilya Kuznetsov's bright-muscled Tybalt, the other chaps are cyphers.

It was Asylmuratova's evening, and wonderful. (It was also Alexander Titov's, for the way he exposed the fierce tensions of the Prokofiev score.) Asylmuratova looks adorably young as the child of the first scene, and ravishing in beauty. Grown to sudden womanhood, she is seen as a ballerina in entire command of her art. Gesture, pose – held and held and held, so that the moment and the feeling burn on the air – are reduced to their most potent essence. The dance is strong, clear. The role lives, marvellous in truth. (Only one disappointment: the run to Friar Laurence – so potent with Ulanova, and with Plisetskaya: a wave, a soul in flight – goes for nothing. Not enough stage space, perhaps.)

For the rest, performances more credible than in 1993, and street-brawls of proper ferocity. Costuming is still for the Vladivostok Amateur Operatic Society in *Kiss Me, Kate*. Two very vivacious street urchins had better be put under house-arrest. But who cares, when Asylmuratova dances.

The Kirov continues at the Coliseum, London WC2 until August 9.

Shaw Festival, Ontario

Talk, laughter and mimicry

On Lake Ontario, just out of earshot of the famous Falls, is Niagara-on-the-Lake. During the North-South "War of 1812", retreating American troops burned the village to the ground; now, the town resembles a hundred other picturesque North American towns with 19th-century histories – the odd Victorian edifice, houses in "colonial" style with generous porches and verandas, old shops and warehouses converted into restaurants and bars.

George Bernard Shaw and his contemporaries are celebrated here every year, from April to October. The Shaw Festival format is much like Stratford, Ontario's: four plays in repertory at each of three theatres, the purpose-built Festival Theatre and two smaller venues, the restored Royal George "opera house" and a converted assembly room in the old Courthouse. There are two Shaw productions this year, plus *The Chocolate Soldier* – the hoary old operetta based notionally on *Arms and the Man* – and "contemporary" plays from *Seagull*, *Hobson's Choice* and Harley Granville Barker to a farce seen in the West End the year Shaw died.

Though the actors are mostly Canadian, the accents where required are near-faultless British. A curious exception was Peter Hutt's weary, affable mid-Atlantic monarch for *In Good King Charles's Golden Days*. But it hardly mattered in Shaw's 1939 charade, which has little but weary affability to recommend it.

King Charles, his brother York (soon to be James II), the Quaker George Fox, Nell Gwyn and two other royal mistresses all turn up, more or less unannounced and unwelcome, at Isaac Newton's house. For two acts they all talk and talk; in the third, the King comes home to his Portuguese Queen Catherine (Sarah Orenstein, who injected a welcome dose of volatile sophistication), and *they* talk and talk, without a plot in sight.

All the Shavian worldly-wisdom about history and politics depends on safe historical hindsight, masquerading in the favoured mouths as genial prescience. As for the naive sexist jibes, they come badly from a playwright who once declared Beatrice and Benedict's repartee to be mere Billingsgate. Still, it is good to have seen the piece; now one need never sit through it again.

From Shaw's earlier, better years we had *Mrs Warren's Profession*, in a production by Tadeusz Bradecki that I can scarcely imagine improved upon. A ripe, feisty Mrs Warren – her secret profession is managing a string of Continental brothels – from Nora McLellan, who is soon to play Dolly in *Hello*... and tried out some pre-echoes of that lady to excellent purpose; stylish accounts of her gentleman friends from David Schurmann, Robert Benson and Norman Browning.

Better still was Ben Carlson, engagingly mock-naive as young Miss Warren's swain (and possibly half-brother). Best of all, Jan Alexandra Smith as Cambridge-trained Vivie, his inamorata: sharp, fetching and intelligently witty with nice mimicry of angular well-educated English-girl gaucheness. Delightful sets by Leslie Frankish, too.

The Chocolate Soldier was a sticky affair, not to say tacky – evidently aimed at the elderly American coach-parties who constituted most of the audience. *The Seagull*, directed by Neil Munro, was stronger and kindlier than Peter Hall's recent Old Vic version in London, with Jan Alexandra Smith reappearing as a shy, muted Nina, and Arkadina and her Trigorin played equally for disillusioned maturity and compassionate laughs by Fiona Reid and Jim Mezon. Canadian is a good tongue to be temperate in, not so apt for Russian anguish; the action remained somewhat tame, though touching.

In Vernon Sylvaine's old farce *Will Any Gentleman?*, which once enjoyed almost a year's run with Robertson Hare, going British again seemed to release anarchical spirits among the company. They mimicked high Whitehall style to perfection, at hurtling speed, with all the stock characters brought up fresh as paint. There wouldn't be the slightest point in recounting the plot; but it was irresistibly silly and funny, and seemed to be over in no time – and we were still laughing.

That was produced by the festival's artistic director Christopher Newton, whose ardent, knowledgeable affection for British theatre is unmistakable. Programme-notes are unusually good; the festival's "literary advisor" is Ronald Bryden, a Canadian well remembered here for his thoughtful London theatre-reviewing. Britain's loss has been Niagara's gain.

David Murray

Mrs Warren, *Seagull*, *Charles* and *Gentleman?* continue in repertory until October 27/28.

Jan Alexandra Smith and Nora McLellan in an excellent production of 'Mrs Warren's Profession'

The Proms/Richard Fairman

US intelligentsia on a free rein

It is not often that the controller of BBC Radio 3 is to be found standing in the arena for a Prom, but that is where Nicholas Kenyon chose to listen to the multi-directional surround sound of Roger Reynolds's *The Red Act Arias*, the biggest BBC commission this season.

The American Reynolds, now 63, is hardly known in the UK. His formative period was the 1960s, which he spent experimenting with electronic music and multi-media, and he has stuck with that agenda. *The Red Act Arias*, a full-scale work for a large orchestra and chorus on stage and any number of taped noises off relayed through loudspeakers, certainly does not make life easy for anybody.

The subject is ostensibly the relationship between Agamemnon and Clytemnestra, as related in classical tragedy. But Reynolds's programme-note is soon telling us about the "interplay between multiplicity and singularity" and the "polarisation of social and individual imperatives". Take a deep breath before the music starts. This is American intelligentsia on a free rein for 40 minutes.

One disgruntled promenader remarked wearily that it had gone into injury time after the first 15. The music is fairly dense, with blocks of choral sound extending around the auditorium, enlivened by some clear-headed writing for the orchestra. I liked the style of the impersonal Greek chorus, the sense of great events resonating from long ago, but wanted more sense of direction. It is hard to see how this static music could ever generate an opera, as Reynolds intends.

The BBC Symphony Orchestra under Leonard Slatkin only sounded moderately happy about it, though the BBC Singers worked their usual wonders. Harriet Walter was the narrator and a veritable army of audio software personnel were listed for sound effects. The one which started like amplified knitting needles, turned into the demolition of a building and ended as a fly-past by Concorde was mightily impressive.

Unfortunately, all the rehearsal time seemed to have gone on the premiere. Ensemble was all over the place in Mahler's First Symphony after the interval and it would have been a tired performance if there had not been a conductor on hand with such a certain grasp of the symphony. Against the odds Slatkin brought the music vividly to life.

INTERNATIONAL ARTS GUIDE

EDINBURGH

Edinburgh International Festival
Tel: 44-131-473 2000

DANCE
Tharp! new works by Twyla Tharp: *Sweet Fields*, danced to Shaker hymns and other American choral music, *"66"*, and *Heroes*, with music by Philip Glass; at the Edinburgh Playhouse; Aug 11

OPERA
Platée: by Jean-Philippe Rameau: Directed and choreographed by Mark Morris, this production – sung in French, with English supertitles – stars tenor Jean-Paul Fouchécourt in the title role, with Diana Montague and François le Roux as Junon and Jupiter. With the Mark Morris Dance Group, Royal Opera Chorus and Orchestra of the Royal Opera House. Conducted by Nicholas McGegan; at the Edinburgh Festival Theatre; Aug 11

EXHIBITIONS
Royal Scottish Academy
Tel: 44-171-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around seventy works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world; to Oct 5

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: conducted by Martyn Brabbins in works by Bartók, Strauss and Mahler. With soprano Inger Dam-Jensen; Aug 7
● Evgeny Kissen the Russian pianist gives a solo recital – a Proms innovation – of works by Haydn, Liszt and Chopin; Aug 10
● Georgian Folk Songs: performed by the all-male Rustavi Choir, conducted by Ansor Erkomaishvili; Aug 8
● Jiří Bělohlávek conducts the BBC Symphony Orchestra in works by Bartók, Luciano Berio, Schubert and Dvořák. With mezzo-soprano Michelle DeYoung; Aug 8
● Trevor Pinnock conducts the English Concert and Choir in works by Bach; Aug 6

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Fokine Programme 2: *Les Sylphides*, *Schéhérazade* and *The Firebird*, seen here together in 1995, provide the finale to the month-long season; casts vary; Aug 7, 8, 9
● Romeo and Juliet: presented in the original version by Leonid Lavrovsky, set to Prokofiev's score; casts vary; Aug 6

PESARO

Rossini Opera Festival
Tel: 39-721-33184

CONCERTS
● Latvian Philharmonic Chamber Orchestra: in works by Mozart, Rossini and Caikovskij; with piano soloist Massimo Lambertini; Aug 8
● Rossini's Petite Messe Solennelle: performed by soprano Carmela Remigio, contralto Mariana Pentcheva, tenor Juan Diego Florez and bass Michele Pertusi. With pianists Arnold Bosman and Rosetta Cucchi, and Federica Iannella on harmonium; at the Teatro Rossini; Aug 11

OPERA
● Il Signor Bruschino: directed by Roberto de Simone. With the Ort-Orchestra of Tuscany conducted by Corrado Rovaris; at the Auditorium Pedrotti; Aug 10
● Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as Moses in Egypt in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 9

SALZBURG

Salzburg Festival
Tel: 43-662-844501

CONCERTS
● Ensemble Modern: conducted by Hans Zender in a programme including works by Essl; at the Mozarteum; Aug 6
● Klangforum Wien: conducted by Johannes Kalitzke in a programme including works by Essl; at the Mozarteum; Aug 7

OPERA
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 6, 11
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 6, 8, 10

THEATRE
Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Aug 6, 7, 9, 10, 11

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 6
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Aug 8
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 9
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Aug 7

SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● Oslo Philharmonic: conducted by Mariss Jansons in works by Nordheim, Bartók and Dvorák; at the Musikhalle, Hamburg; Aug 11
● Philharmonie der Nationen: conducted by Justuz Frantz in works by Rossini, Mendelssohn, Respighi and Verdi; at the Rinderstall, Haseldorf on Aug 5; at the Schloss, Kiel on Aug 6; at the Musik- und Kongresshalle, Lübeck on Aug 7

TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by Seiji Ozawa and Lukas Foss in works by Bach, Foss and Bizet. With flautist James Galway and violin soloist Tamara Smirnova; the Shed; Aug 8
● Boston Symphony Orchestra: conducted by Charles Dutoit in works by Berlioz, Rachmaninoff and Bartók. With piano soloist Yefim Bronfman; the Shed; Aug 9
● Boston Symphony Orchestra: conducted by Charles Dutoit in works by Ravel, Rouse and Haydn. With cellist Yo-Yo Ma; the Shed; Aug 10
● Clarinet player Richard Stoltzman and pianist Lukas Foss: perform works by Gershwin, Copland, Ives and Foss; Ozawa Hall; Aug 7
● Juillard String Quartet: in works by Mendelssohn, Copland and Schubert; Ozawa Hall; Aug 6

VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 1, 10 & 15 Maria Guleghina sings the title role
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli; Aug 7
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; casts vary; Aug 9
● Rigoletto: by Verdi. Conducted by Nello Santi in a revival of Lotfi Mansouri's staging; Aug 8

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Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

Demirel country

While Turkey's politicians argue among themselves, its businessmen are strengthening ties with Europe

The town of Isparta, in south-western Turkey, lies off the main tourist routes. It is more than 100km inland from Antalya, surrounded by bare and rugged hills. But it is prospering.

One reason for this becomes obvious as you drive through. In the town centre is a statue of a stocky little man with arms outstretched, clutching a broad-brimmed hat. You pick up hints of his identity as you drive along Süleyman Demirel Boulevard, which leads out of town past Süleyman Demirel University, Süleyman Demirel Botanic Park and Süleyman Demirel Forest.

Keep driving and you reach the town's newest and proudest possession: Süleyman Demirel Airport, opened last month by – you've guessed it – President Süleyman Demirel, Turkey's head of state and Isparta's favourite son.

After opening the airport, Mr Demirel inaugurated a textile factory, an event symbolising much that is hopeful about today's Turkey, but connected with much that is worrying. In the factory, two years ago a greenfield site, 750 women and girls from neighbouring villages are employed, using modern German sewing machines to produce clothes, mainly for the UK market. All wear headscarves. This seems quite normal in this rural milieu, though in the city it would imply rejection of Turkey's official secular culture.

The fabric for the clothes is shipped from the UK. It returns as dresses, skirts and trouser suits sold in such well-known chains as Wallis, Next, Oasis and Richard shops. The management team, led by an Englishman, includes several Greek Cypriots. "Never mind Agenda 2000," said Mr Demirel, referring to the European Commission's latest paper on European Union enlargement, which angered many Turks by failing to put them even on the waiting list for membership. "This is how we are entering Europe."

The Turkish investor who made all this happen, taking advantage of the EU-Turkey customs union which came into force last year, is Mr Sait Dilek, a 30-year-old Kurd. If Mr Dilek had built his factory back home in the south-east he might never have got it hooked up to the national grid, since he could not have mobilised Mr Demirel's influence with the state-owned electricity company. Political connections are crucial in Turkey, as Mr Dilek understands. He also has links to the Motherland party, enabling him to pull off the double coup of getting Mr Mesut Yilmaz, Turkey's new prime minister, to join the president at his opening ceremony.

Time was when Mr Yilmaz would have been as unlikely to show his face in Isparta as Mr Demirel would have been to welcome him. But in June, prodded by the army, the former rivals joined forces to get rid of the previous government. That government had been seen by many Turks, especially in the secular middle class, as an unholy alliance between what they regard as militant Islam and political corruption.

The army has been spared, for the moment, the need to "save democracy" and preserve Turkey's secular tradition by staging its fourth coup in less than four decades. Mr Demirel, deposed as prime minister in two coups, invited Mr Yilmaz rather than Mrs Tansu Çiller to form a government when Mr Necmettin Erbakan stood down. A procedure has been started which may lead to the banning of Mr Erbakan's party. This hardly seems democratic or prudent, given it is the largest party in the present parliament.

These events have coincided – though it may not be pure coincidence – with the beginnings of a thaw in Turkish-Greek relations. One of the military-diplomatic establishment's many accusations against Mrs Çiller is that last year she exploited a clash with Greece in the Aegean for her own political advantage.

The Turkish establishment does not like politicians meddling irresponsibly in such matters, nor does it want quarrels with Greece to get in the way of Turkey's relations with the rest of Europe.

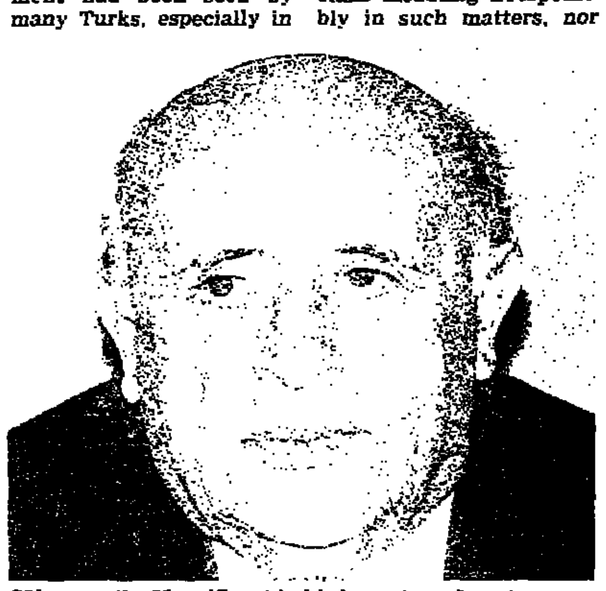
It can be assumed that Mr Demirel acted with the army's approval when he agreed a joint statement with Mr Costas Simitis, the Greek prime minister, at last month's Nato summit. This ruled out the use or threat of force and promised to promote bilateral relations based on respect for each other's sovereignty.

The agreement does not mention Cyprus. That island, being legally an independent state, is not a bilateral issue between Greece and Turkey. But the conflict there has for 40 years been the issue that most arouses public opinion in both countries.

It may well arouse them again if the EU honours its pledge to start membership talks with the purely Greek-Cypriot government in the south of the island early next year. That could prompt Turkey to act on its threat to bring the Turkish-occupied north into formal union with the mainland.

This danger should impart new urgency to the search for an agreement between the two Cypriot communities, whose leaders are due to meet again in Switzerland next week. Unfortunately the EU deadline coincides with Greek-Cypriot presidential elections due in February before which it is hopeless to expect any substantive concessions from President Glafcos Clerides.

No one doubts most Turks and Greeks, on Cyprus and in the two motherlands, genuinely want peace. Yet somehow the search for agreement always stubs its toe on democratic procedures. In Cyprus elections are deemed to make moves towards peace impossible, while in Turkey it has taken army intervention to nudge elected politicians towards rapprochement with Greece.



Süleyman the Magnificent in his home town Isparta

LETTERS TO THE EDITOR

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Lack of proper structure is stumbling block to tax harmonisation within the EU

From Mrs Celia Hampton.

Sir, Fiscal harmonisation across the European Union may be a "big catch" in the fishy sense, but there may be a bigger catch in the sense of a stumbling block ("The big catch", July 29).

The principle of "no taxation without representation" means that the people should not have to pay tax unless their representatives have had a chance to vote for it, normally through a directly elected parliament. Yet the directly elected European parliament has no say in anything that the European governments agree to do collectively on tax. As with other matters outside the explicit scope of the treaty, parliament has to be consulted but the Council is under no duty to take any notice of its opinion.

Should the national governments unanimously agree on some form of fiscal harmonisation, each government would be obliged to introduce the new regime without the national legislatures having any say in the matter.

A new tax measure would almost certainly mean that someone's tax burden somewhere in the EU would increase. It might then find its way to the European Court. Although the representation principle is based in political science rather than strict law, the Court might find that it is part of the general principles of law drawn from the constitutional traditions of the EU countries.

The EU's structure is not yet ready to handle direct taxation. The executive arm of government has to be balanced by the legislative and judicial arms. There would be no balance if the legislative function were carried out by the Council alone. It represents the member states, not the people.

The modesty of the reforms agreed at the Amsterdam summit in June suggests EU governments are not yet willing to give the parliament the representative power it needs if tax is to become a European issue.

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Sovereignty is not undermined

From Ms Liz Parratt.

Sir, Professor John Gray is incorrect to suggest that the entrenchment model of the Canadian charter of rights and freedoms undermines parliamentary sovereignty ("Civil liberties proposal a 'cop-out' ", July 29).

If in a particular case the courts have to resolve a conflict between the rights set out in their charter and other legislation, the charter rights are given precedence. The courts either "read in" the missing rights or, alternatively, make it clear that in the particular circumstances part of the statute no longer applies. Parliament then, however, has a choice: either clean up the statute, to comply with the ruling, or re-enact the statute adding a clause stating that the provision applies "notwithstanding" the charter – which prevents the court from disapplying the provision of the statute.

Under both models, parliament remains sovereign: the difference is that, in Canada, the decision is public, debated, and accountable. With the New Zealand model, parliament could avoid upholding rights simply by default, by failing to find the parliamentary time. Parliamentary sovereignty is given its legitimacy by parliamentary democracy, which is arguably better served by the Canadian model. But neither model needs to be slavishly copied: the challenge is, of course, to identify a British model which would uphold fundamental rights, without creating conditions for clashes between parliament and the judiciary.

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Arms sales need common agreement

From Mr Gary Titley MEP.

Sir, Your editorial "Clean, not clear" (July 29) on the vexed issue of arms sales was spot on when it pointed out that the answer lies in Europe.

The fragmented European defence market and the almost complete lack of intra-EU trade forces EU defence companies to export arms in order to recoup their ever higher development costs.

A European single market for the defence industry, as I called for in my recent report to the European parliament, would lead to large economies of scale, so lessening the pressure for export to third countries.

You are also right to say that we need a European wide policy for arms exports. We already have a code of conduct, however, consisting of eight principles agreed by the Council of Ministers. What we need now is a common agreement on the interpretation of those eight principles, which should then be made legally enforceable.

The lack of an EU policy on arms sales not only encourages member states to steal competitive advantage by "flexibly" applying guidelines, it is also a significant obstacle to cross-border defence company mergers which are essential if the European defence industry is to survive.

The trouble is everybody agrees about what needs to be done but there is currently no political will among member states to do it.

Hopefully, the UK government's stand will create a more positive atmosphere. We might even push the French into matching their actions in the defence field with their rhetoric!

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Practice is like fraud

From Mr Brian Warnes.

Sir, Lord Alexander (Letters, August 1) puts his finger on the main problem of late payment – cultural attitudes.

Professional concern in business is, very properly, to husband and conserve resources. Unfortunately the line gets blurred between properly husbanding and conserving a company's own resources and improperly holding on to resources belonging to others; still worse, using such resources to earn interest and then retaining the proceeds – which comes perilously close to a legal definition of fraud or theft.

Charging interest on the overdue debt would help. So would shortening due dates: "rolling settlement" (Mr Martin Simons' letter, August 2) is in fact already available under the "30 days from date of invoice" arrangement.

But the main need is to end the deep-seated belief that slow payment is "good professional practice"; getting it regarded instead as unprofessional. Shameful certainly. Even actively dishonest.

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John Plender argues that new plans for corporate governance are aiming at the wrong target

Hampel's rotten boroughs

What is wrong with corporate governance in the UK? The preliminary report of Sir Ronald Hampel's committee is in no doubt. Companies are too preoccupied with accountability and too little concerned with business prosperity.

The response to the earlier codes of the Cadbury and Greenbury committees has, says Hampel, degenerated into "box ticking", whereby institutional shareholders and their advisers are only interested in compliance with the letter rather than the spirit of the rules. Hence Hampel's central recommendation that companies should produce a new statement in the annual report and accounts on how they apply a number of broad principles of corporate governance.

Never mind the paradox that this critique of bureaucratic behaviour ends up recommending another reporting burden. The intriguing question is where the evidence for this charge of irresponsible institutional behaviour comes from.

Certainly not from the published data on how UK institutions, the legal owners of more than 60 per cent of the quoted corporate sector, exercise their voting power.

As the Hampel committee itself acknowledges, the voting rights belonging to a majority of shares are simply not exercised. A report published by Dr Chris Mallin of Warwick Business School in 1995, surveyed the top 250 companies to ascertain the voting behaviour of each company's top 20 institutional shareholders. This found that the normal number of votes cast on any given resolution was about 35 per cent.

Mallin's findings are not very different from the results of broader surveys conducted by the National Association of Pension Funds. And they understate the extent of institutional apathy, because many institutions give discretion to company chairmen to exercise their votes as he sees fit. That is where the real box-ticking is going on.

What survey evidence there is suggests that the institutional readiness to vote against the board is minimal. So in spite of the emphasis placed by the Cadbury committee, and repeated by Hampel, on the value of voting rights as an important asset of the institutions, few ticks are being put in boxes to signal discontent with the way governance operates.

Indeed, in spite of the reliance of the Cadbury system on the use of votes to apply pressure to boards, some institutions continue to argue that a hostile vote, even on a minor issue, implies a total loss of confidence in the board. They therefore continue to provide almost unconditional support for boards.

Those institutions that follow Cadbury's recommendation to disclose their voting policy usually claim to exercise their votes in precisely the way Hampel asks for, taking each issue on its merits and looking at substance not form.

Consider Hermes, which manages £16bn of equities mainly for British Telecommunications and Post Office pension schemes.

> The risk is that this ethos saddles wealth creation with a bad name and erodes the legitimacy of British business in the public mind

Its statement on corporate governance and voting policy says its guidelines "will be applied by Hermes pragmatically taking into account the circumstances of individual companies".

On controversial areas such as the combination of the roles of chairman and chief executive, Hermes will, in exceptional circumstances, consider voting in favour provided there is a nominated senior non-executive on the board and a strong quorum of fully independent non-executive directors.

Most funds that publish their policies claim to be similarly flexible. So what is Hampel's preoccupation with box-ticking about?

As the statistics on voting indicate, the Cadbury, Greenbury and Hampel committees have been reacting to a power vacuum left by the institutions. If leading businessmen have been prepared to sit on such committees, it has been partly through fear that a Labour government might otherwise move to fill the vacuum by statutory means.

Yet many, like Hampel, have become impatient with a process they find bureaucratic. With a Labour government that turns out to be unexpectedly friendly to business, suddenly there is less pressure to keep up the impetus.

Whether the newly benign Labour view of business will survive the first big corporate scandal remains to be seen. What matters at this stage is that Sir Ronald Hampel is throwing down the gauntlet to the institutions by reasserting a right to manage.

In fairness, much of what he says also makes good sense. The governance process, as the report declares, can only be a means, not an end; prosperity is generated by people, team-work, leadership and the rest.

Within the British legal and corporate culture there is no real alternative to using shareholders as the main focus of accountability. But as the report also argues, good governance ensures that stakeholders with a relevant interest in the business are taken into account.

The question is whether a retreat from flexible rules into broad, unenforceable principles will reverse the gains made as a result of the Cadbury process. This, as Hampel acknowledges, has greatly improved the structure of UK boards – a benefit that will reduce the accident rate in the corporate sector in the next downturn.

The outcome depends on the institutions. The Hampel report has a number of proposals for incremental reform, many worthwhile, some controversial, which do little to address the biggest governance shortcoming: the institutionalisation of boardroom inflation.

Greenbury, in particular, inadvertently embedded short-termism in the boardroom by suggesting that the minimum period for assessing directors' performance for incentive schemes should be three years. This promptly became a maximum for most companies.

The majority of companies fail to comply with Greenbury's recommendation that performance criteria should be challenging. Once again the institutions and their representatives at the National Association of Pension Funds and the Association of British Insurers have been asleep on the job.

The risk is that this rotten borough ethos saddles wealth creation with a bad name and erodes the legitimacy of British business in the public mind. If it really is time for a little less pressure on companies, the role of the institutions is due for some compensatory attention – more rigorous attention than Hampel was prepared to give.

COMMENT & ANALYSIS

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Ailing tiger

The deal emerging between the Thai government and the International Monetary Fund will help to ensure greater economic stability in the short term. But an emergency package provides no guarantee of the overdue structural reform needed to maintain Thailand's credentials as a tiger economy.

Thailand has been in turmoil since the unsustainable combination of a current account deficit, a credit bubble and growing bad debt led to the abandonment of the dollar peg last month. The baht's depreciation unleashed currency jitters across south-east Asia.

The government has agreed to tie its hands with an IMF programme of policies to reduce the current account deficit, shore up fiscal policy, and ensure tighter monetary policy. Suspending the operations of a further 42 finance companies may have sent tremors through the markets. But government guarantees to creditors and depositors, together with the availability of up to $15bn in emergency credits under the IMF programme, should temper fears of a financial collapse.

However, an agreement with the IMF is no substitute for the reforms needed to ensure that the strong growth to which Thailand has become accustomed continues. The authorities must improve the regulation of the financial and banking systems, and promote greater efficiency in the finance sector. High levels of domestic savings have for too long been channeled into property market speculation, making the corporate sector over-reliant on foreign capital.

Restructuring is needed to shift production from labour intensive goods such as textiles, into higher value added sectors like electronics. As wages rise, Thailand can no longer rely on cheap products to maintain economic growth. Education levels have fallen behind the other tiger economies, leading to skill shortages and frustrating the move into more sophisticated manufacturing.

The Thai authorities went to the IMF for help only reluctantly, having failed to come up with their own strategy. It is hard now to be confident that they will come up with a coherent long-term strategy for economic reform and structural adjustment.

In a political system where vote buying and corruption are routine, and where parties spend enormous sums to win office, politicians often put the need to recoup their expenditures before rational policy-making. Measures to clean up the political system, which cannot be contracted out to the IMF, are also a prerequisite for the reforms needed to ensure continued economic success.

Bosnia split

Twenty months after the Dayton peace accord, the attempt to create functioning common Bosnian institutions is paralysed, and Bosnia remains partitioned. Meanwhile, the attempt by unnamed US officials to put blame on the harassed international representative, Carlos Westendorp, hints at a return to the squabbling and scapegoat-seeking which have dogged Nato policy on Bosnia from its beginnings.

Of the three nations in Bosnia, only the Moslems want a united country; failing that, many of them dream of attacking the Serbs again, now that they have been armed and trained by the US to a level which gives them a real chance of regaining their lost homes.

The international peacekeeping force, Sfor, is due to leave next year. If that happens, then the war will almost certainly resume. Some highly placed Americans would say that another Moslem-Croat victory would only be justice for the atrocities and land-grabbing previously inflicted by the Serbs. However, not merely would such a victory create up to 700,000 Bosnian Serb refugees, it would inexorably lead to the Moslems and Croats using their American arms on each other.

All the western states have become exasperated with the refusal of the three national leaderships in Bosnia to co-operate. Equally glaring has been their complicity with local mobs who have prevented refugees returning to their homes.

Tougher pressure on the Serbian and Croatian governments is necessary, in order to get them to influence their co-nationals in Bosnia. The latest unofficial American threat to resume sanctions against Serbia is justified, and the denial of certain international loans and aid to Croatia should be extended.

But the west also needs honestly to recognise that there is something inherently contradictory about trying to force people to participate in a common democratic government. If this can be done at all, it cannot be done quickly, and certainly not in the year that remains until Sfor is due to leave. As Lord Salisbury once said (regarding Ireland): "The free institutions that sustain the life of a free and united people, sustain also the hatreds of a divided people."

There is a danger that the Clinton administration, under pressure from Congress and public opinion to withdraw US troops on schedule, will push for a cosmetic agreement, which would hold up only long enough for the peacekeepers to perform an honourable scuttle. Such a debacle would provide a humiliating contrast to Nato rhetoric about extending security to eastern Europe. The west should remember that the price of security is courage and unity, but it is also patience.

New innings

The battle of Waterloo may have been won, as is claimed, on the playing fields of Eton, but the game of cricket is an enduring image of an Englishman's notion of peace. It stands for country air, fair play, proper dress, and class distinctions.

"No gentleman ought to make a profit by his services in the cricket field," The MCC ordained in 1878, and the gulf between gentlemen and players (hired from the lower orders) was not ended until 1963. Nowadays all sorts play the game, but most of the 18 county cricket clubs are still run by buffers in blazers.

Many of them do not want to change the slow rituals of the greensward where white figures stand for days, awaiting the next crack of action or scattered applause. But the county game is moribund and even its dwindling supporters know it.

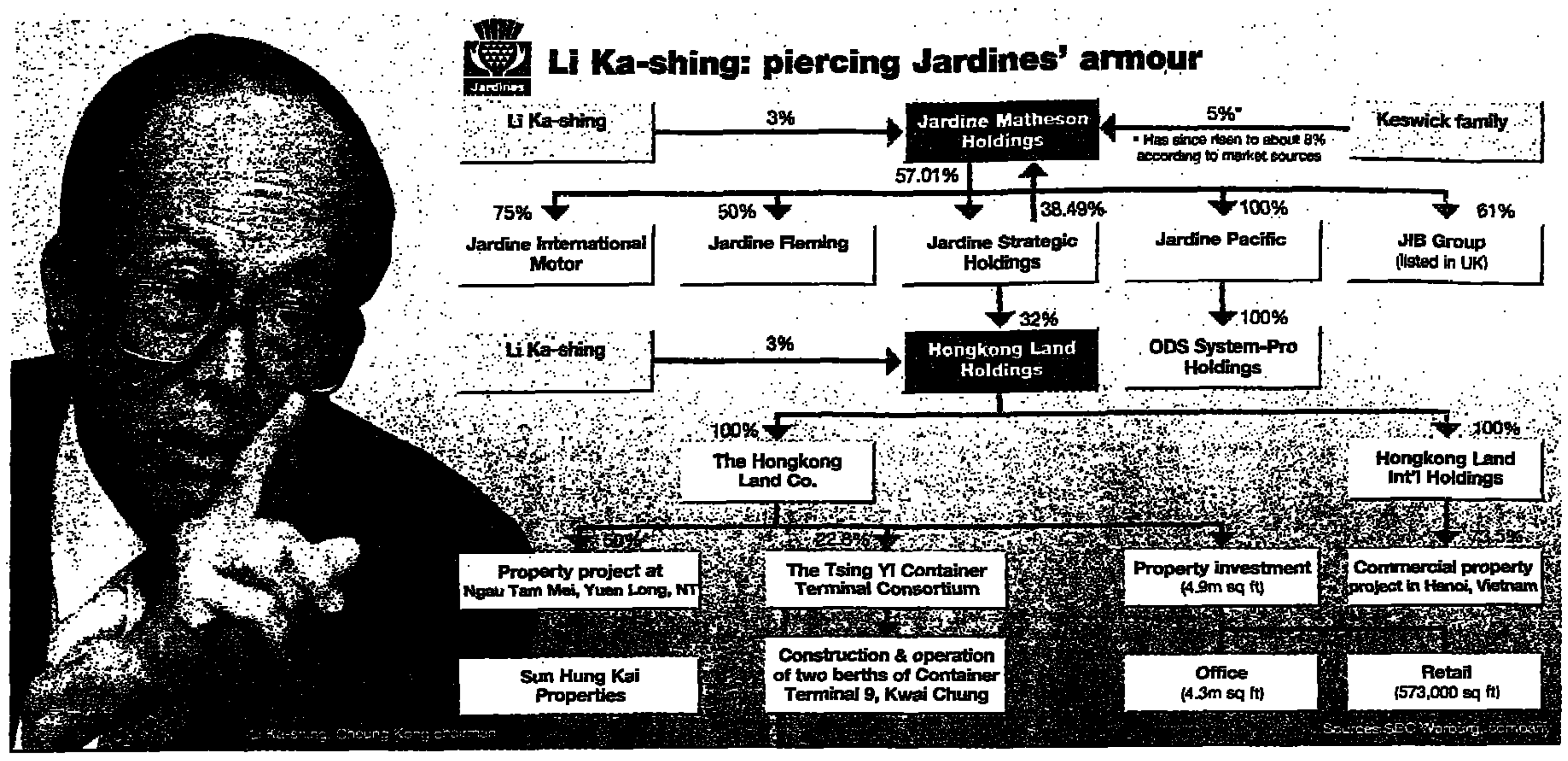
Against the competing attractions of football and rugby, few Englishmen will rush to a day's play such as Essex v Leicestershire on Monday. On this day, Peter Such bowled 36 overs (216 balls) without taking a single wicket. The match ended inconclusively after the dogged accumulation of 1,048 runs by the two sides.

The rewards for playing in sparsely attended county matches are so low that English cricket produces few players of the calibre needed to win test matches. As a result interest in the game even at the highest level has been waning. Something fairly radical is needed if this cycle of genteel decline is to be reversed. The proposals announced yesterday by Lord MacLaurin, chairman of the England and Wales cricket board, may help, especially those for sharpening competition in first-class cricket as a nursery for test players.

But cricket's more fundamental problem is that it has become too slow for the television age, more often resembling trench warfare rather than a battle of skills. To increase popular support – and income – it will need to adopt a faster pace with more one day matches and night games. Cricket with American razzamataz would send shudders through the shires and would not produce test players, but it just might go down big with the alcopoppers.

Lord MacLaurin wants to encourage his kind of game in schools. Why not? Cricket and the Church were once the pillars of English education. But that was when gentlemen knew their place, and players came out of the pavilion by a separate entrance.

It is well to remember George Orwell's dictum that after Waterloo, the first battles of every war were *lost* on the playing fields of Eton.



Li Ka-shing plants a seed

By investing in Jardine Matheson, Hong Kong's top tycoon could shake up the territory's corporate landscape, says **John Ridding**

Barely one month after the Union flag was lowered over Hong Kong harbour, the territory's most powerful tycoon may be signalling a new phase in the transfer of corporate power.

Mr Li Ka-shing, it emerged yesterday, has built stakes in Jardine Matheson, the British-controlled conglomerate which stood as a corporate symbol of empire throughout Hong Kong's 150 years of colonial history.

The holdings are small – 3 per cent of Hongkong Land, the territory's biggest landlord, and 3 per cent of Jardine Matheson, one of the group's main holding companies. But speculation is rife that Mr Li is considering a bigger stake, or even a takeover.

"If this develops into an alliance or a bid, then it would dwarf the other deals we have seen," says the chairman of one Hong Kong-based investment bank. He was referring to moves by local tycoons over the past few decades to take control of other British-controlled conglomerates, such as Wheelock Marden, and more recent deals in which China-backed companies have taken strategic stakes in Hongkong Telecommunications and in Cathay Pacific, the territory's de facto flag carrier.

A battle or a strategic alliance between Mr Li's empire and Jardines would be rich in symbolism, for it would match the most blue-blooded of Britain's trading hongs with the territory's most aggressive local entrepreneur. A bid would certainly mark the biggest challenge of Mr Li's career. Should he seek and win control of Hongkong Land, Mr Li would gain a virtual monopoly on office space in Hong Kong's prime business district and would secure his position as one of Asia's most powerful businessmen.

Such a bid could herald a broader upheaval in the corporate landscape. China has pledged to maintain a level playing field in the territory's business arena but concern remains that predators linked to China might seek to exploit the transfer of sovereignty. It might even have a symbolic political value. As Mr Nam Park, conglomerate analyst at ING Barings, says: "Because [Jardines] were the catalysts for the colonisation of Hong Kong, to have new buildings stuck up where the old Jardine Matheson ones used to be would complete the cleansing of Chinese humiliation."

Jardines yesterday was playing down the significance of Mr Li's move. "We are pleased that they recognise good value in Jardine Matheson and Hongkong Land," said Mr Alasdair Morrison, managing director. The company dismissed the notion that there might be a hostile bid, and several investment analysts noted that Mr Li has a keen eye for a quick return.

The taciturn tycoon certainly booked a tidy profit on his latest transaction. News of his move sent shares in Hongkong Land up by more than 20 per cent to US$3.12. Jardine Matheson rose by 11 per cent to US$7.85. But some in the financial sector think there is more to it than that. "I think he is after ultimate control or a strategic stake," says Mr Chris Wilmot, conglomerates analyst at W.I. Carr in Hong Kong. Others suggested that Mr Li could be acting with China's backing to reduce UK influence in one of the territory's biggest companies, although a meeting before Hong Kong's handover between Mr Henry Keswick, Jardines' chairman, and Mr Zhu Rongji, China's vice-premier, underlined improved relations between Jardines and China.

Predictions that Mr Li is merely making the first move in a grander scheme are supported by the attractions of the Jardines group and by the fact that Mr Li has previously tried to get his hands on Hongkong Land. An abortive bid in 1988 was followed by a moratorium in which Mr Li and his corporate allies agreed not to pursue Jardine companies. That accord expired in April 1995.

The attractions of Hongkong Land have grown since then. Property prices in the territory are soaring and the company maintains control of most of the prime locations in the central business district, including much of the harbour front. While Hong Kong's other property tycoons are clawing back land from the sea to capitalise on the robust sector, an alliance with Hongkong Land, or an acquisition, would at a stroke give Mr Li access to some of the world's most lucrative property.

Paradoxically, while the attractions of property have risen, shares in both Hongkong Land and Jardine Matheson have languished since 1995, when they were delisted from Hong Kong and quoted in Singapore as part of the group's defences against predators. "They have underperformed terribly," says Mr John Godfray, head of conglomerates research at Kleinwort Benson. He criticises the group for a lack of strategic direction and for a poor track record over recent years.

Although the group has sought to refocus its attentions on Asia and to extricate itself from the problems of diversification, its results remain lacklustre. Net profits fell by almost 20 per cent last year to US$300.2m, due partly to exceptional losses at Jardine Fleming, its investment-banking joint venture, and food retailing operations in Australia.

Such mis-steps and the transfer of sovereignty in its main market have frequently raised questions about predators. But the Keswick family has maintained control through a series of cross-shareholdings which were developed after Mr Li's abortive raid (see chart), and by the shift of the company domicile to Bermuda, where the takeover code offers greater protection. Unlike other British-controlled conglomerates, notably Swires, Jardines has not sought to exploit growth opportunities in China or to secure its position in Hong Kong by selling stakes to mainland partners. But might the Keswicks anyway cede control? "Absolutely not," says Mr Morrison.

That all suggests Mr Li would face his toughest challenge if he sought to muscle his way into Jardines. But it does not mean he would fail again. "Hongkong Land and Jardine Matheson are ... not bid-proof," says Mr Wilmot at W.I. Carr.

Most speculation centres on Hongkong Land. With a stake of 32 per cent held by Jardine Strategic, one of the group's holding companies, the property company is less tightly controlled than Jardine Matheson. It is also more attractive, argues Mr Godfray at Kleinwort Benson, citing the potential for property and infrastructure development in Hong Kong and China. "Mr Li could provide a more dynamic strategy," says the head of one Hong Kong investment bank. "With his contacts he would bring a lot to the party."

Mr Li could also provide the finance for a bid. A US$2bn bond issue completed last week by Hutchison Whampoa, one of his group companies, topped up cash holdings and borrowing facilities. Investment bankers believe the tycoon should be able to raise funds to acquire Jardine Matheson or Hongkong Land, which were valued at US$5.4bn and US$7.8bn respectively before yesterday's announcement.

To what extent Mr Li wants to raise his holdings in either remains the big question. Amid the hectic trading in Jardine's shares yesterday, it was unclear whether Cheung Kong, Hutchison Whampoa or other of Mr Li's businesses were further building stakes. "He has planted a seed," says one investment banker. "If it grows it could transform the corporate landscape."

The China connection

When Chinese delegates arrived in Hong Kong for the territory's transfer of sovereignty in June, many of them stayed at hotels owned by Mr Li Ka-shing. The Chinese foreign ministry's new building in Hong Kong is built on land supplied by the same Mr Li. Such connections are essential to the entrepreneurs of Hong Kong, whose success Mr Li epitomises.

Once a manufacturer of plastic flowers, Mr Li has risen to the ranks of the world's richest businessmen, with a personal wealth estimated at US$11bn in a survey published last month by Forbes magazine. In Hong Kong business circles he is known as Superman for his Midas touch.

In taking control of Hutchison Whampoa in 1979, he broke the stranglehold of the big British trading hongs. A few years later, Sir Y.K. Pao won control of Wheelock Marden.

Mr Li has been quick to develop ties with China. An early investor across the border, he has interests in property, ports and infrastructure. Last month, his companies acquired a stake in China Southern, one of the country's biggest airlines. ING Barings estimates that over the next few years, the share of Hutchison's profits from China will rise from 5 per cent to about 13 per cent.

The Cheung Kong chief has been careful to cultivate *guanxi*, or connections, across the border. A member of China's preparatory committee, the recently dissolved body which oversaw Hong Kong's return to China, Mr Li has shown the close involvement of business in the transfer of sovereignty.

It has not all been plain sailing. A large property development in Beijing, overlooking Tiananmen Square, was delayed amid reports of opposition from city authorities and a legal battle with McDonald's the tenant. At the end of last year, Mr Li secured the go-ahead.

Backing in Beijing is set to become increasingly important for Mr Li and Hong Kong's other tycoons. Mainland-backed businesses have expanded aggressively in Hong Kong. Earlier this year, Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle, took a 20 per cent stake in China Light & Power, one of the territory's big utilities which has been at odds with Mr Li's Hongkong Electric over planned capacity expansion.

John Ridding and Louise Lucas

· OBSERVER ·

The Irish question

■ So is it to be dewy-eyed chanteuse Dana or crusty old John Hume for Irish president? With the immensely popular Mary Robinson preparing to bow out, speculation is mounting over the republic's next head of state.

Hume, head of the Northern Ireland's Social Democratic and Labour Party, is keeping everyone guessing. His absence this week – apparently on religious retreat – has only stoked expectations that he's about to make a momentous announcement.

If he does follow Robinson, Hume would have to take a strictly non-partisan view of Northern Ireland politics; that could be a hard task given his long and passionate advocacy of nationalist rights. But if he decided to stand, it's unlikely that the 61-year-old would be challenged.

There's certainly little enthusiasm for other likely candidates. Former prime minister Charlie Haughey is effectively disqualified following past scandals; Albert Reynolds, another political heavyweight, would also prove controversial after being ousted from office over charges that he mishandled the extradition of a paedophile Roman Catholic priest.

Former justice minister Mairie Geoghegan Quinn is one of two or three women who might be tempted to follow in Robinson's footsteps. But the only non-politician indicating an interest is Dana, the Londonderry girl who became a national heroine for winning the 1970 Eurovision song contest with "All kinds of everything". Sounds like a good election slogan.

Ship shape

■ While Thailand was talking fiscal responsibility with the International Monetary Fund yesterday, a reminder of more plentiful times was heading for the Sattahip naval base south of Bangkok. The cash-strapped government has just taken delivery of South East Asia's first aircraft carrier: the Spanish-built HTMS Chakrinaruebet – or The Great Chakri Dynasty – carries six helicopters and nine second-hand Harrier jets. A snip at only Bt7bn, or roughly $230m.

But while the navy's happy with its new toy, other branches of the Thai military don't seem overjoyed. Like everyone else in the cash-strapped country, military types are having to tighten their shiny belts. The government's already pledged to cut at least $3bn from the defence budget – that's bad news for plans to acquire submarines, tanks, fighter jets, satellites and even new automatic rifles.

Cynics in Bangkok wonder whether the traditionally apolitical navy needs its impressive new boat in case it gets roped into Thailand's next military coup. After all, they jest, the country is sinking.

Island life

■ Separatists on exotic islands usually demand freedom from the colonial yoke – but down in the Comoros Islands it's a different story. Militants on the small island of Anjouan, wedged between Mozambique and Madagascar, have been marching in protest. They've hoisted the French tricolour and made a unilateral declaration of "re-attachment" to the mother country.

The island is part of the Federal Islamic Republic of Comoro, which won independence from France back in 1975. The government on the neighbouring island of Grande Comore is – needless to say – refusing to recognise the self-declared Anjouan republic; and no one back in Paris is taking heed of calls by 71-year-old Koranic teacher Abdullah Ibrahim, the rebel leader, for France to "listen to the cries of distress of the Anjouan people".

It's not surprising that the French are turning a deaf ear; they're already engaged in the ticklish business of withdrawing troops from other African former outposts of empire. There's also a suspicion that the patriotic upsurge has something to do with generous Gallic social security benefits.

In the red

■ It's not easy being a full-blooded communist in Vietnam these days. Most of the country is busy making filthy lucre and, as the Communist Party has started sheepishly to admit, many of its members are at it too. Take for example Le Van Kiem, one of the party's best-known sons: he's now a Rolls-Royce-driving garments-to-textiles squillionaire.

But the party's ideological commissars in Ho Chi Minh City have decided that enough is enough. They've declared that party members, their spouses and children can't "engage in private business" – in other words, capitalism is out. Enforcing the ban in free-wheeling Ho Chi Minh City won't be easy; as any resident of the former Saigon will tell you, it's where party wives and offspring do their best business.

The Financial Times

100 years ago

Philatelic Mania
A company secretary sends us the following amusing letter, which reveals a new phase of the philatelic mania: Sir.– Permit me to enlist your sympathies in an evil which befalls secretaries of colonial and foreign limited companies in London. I have often, and I doubt not many others have, received letters and cards from most polite foreigners, asking minutely the price and means of acquiring shares. A short paragraph at the end of the letter is the sum of and reason for the communication. "You would be doing me an infinite favour if you would send with your reply some postage stamps, foreign and various for my collection." No business ever results, or, indeed is ever intended, it being only a trick to get the stamps. By publicity, you might help kindly to suppress the nuisance.

50 years ago

Russia Seizes Oil Refinery
Austria's largest oil refinery in Lobau, in the Soviet zone outside Vienna, the property of British and U.S. oil interests, has been taken over by Soviet troops. The seizure was made entirely without warning, or prior notification, according to company officials.

FINANCIAL TIMES
Wednesday August 6 1997

Policyholders desert Japan's life groups

By Gillian Tett in Tokyo

The value of individual policies held by Japan's 44 life assurance companies tumbled a record Y3,361bn ($28.5bn) during May, as individual policyholders lost confidence in the sector and started to cancel their policies.

The decline came after Nissan Mutual, a medium-sized life assurance company, collapsed with losses of more than Y300bn in April – the first such failure in Japan since the second world war.

The fall in business will fuel fears that Nissan Mutual's failure will have a significant knock-on effect across Japan's huge life assurance sector.

These fears have been heightened by new proposals to force Nissan Mutual's policyholders to shoulder some Y100bn of the company's losses by accepting lower benefits from their policies.

Mr Andrew Smithers, an independent economist, said: "The extent of the losses suffered by policyholders could lead to a collapse in confidence in other weak companies – and further bankruptcies."

Data from the Life Insurance Industry of Japan showed that cancellations by individuals were 20 per cent higher in May than a year earlier. Over the same period, new business fell by 10 per cent. Between the end of April and the end of May, the total value of individual policies dropped from Y1,497 trillion (million million) to Y1,494 trillion.

This fall, the largest ever, is in sharp contrast to the pattern in recent years, when the amount of money in the life assurance industry has been on a sharply upward trend.

The proposals to cut Nissan Mutual policyholders' guaranteed benefits emerged last week when the Life Insurance Industry of Japan submitted a plan to establish a new company, Aoba, to take over Nissan Mutual's responsibilities.

This plan envisaged that the rest of the industry would contribute about Y200bn to cover the losses, while individual policyholders would provide some Y100bn by accepting a reduction in the amount of money that would be paid out on their pension policies.

The hardest hit would be the holders of pension policies designed for women. People who bought these policies in 1988 could see 42 per cent of the face value of their pensions wiped out, according to Mr Smithers.

Nissan Mutual has asked its 1.2m policyholders to vote on the plan before the end of August. If more than 10 per cent reject it, the plan will collapse.

However, the life assurance industry has warned that if the plan does collapse all pension money will be frozen. Nissan Mutual has also implemented financial penalties for any policyholders who try to withdraw their money.

D-Mark falls to 8-year low of DM1.88 against dollar

By Andrew Fisher in Frankfurt and Richard Adams in London

The D-Mark fell to its lowest level against the dollar for eight years in European foreign exchange trading yesterday, prompting speculation of Bundesbank intervention to bolster the currency.

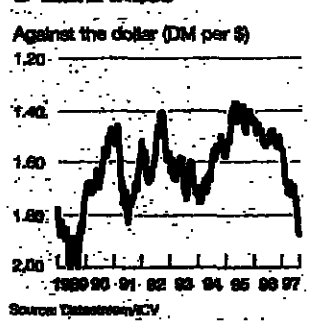
In London, the German currency shed 1.5 pfennigs to close at DM1.879 against the dollar. During trading the US currency was sold for over DM1.88 – its highest rate since 1989 – before the D-Mark rallied in Europe.

The D-Mark's fall has increased expectations that the Bundesbank could let short-term interest rates rise to lift the currency. The test will come next week, when the central bank announces the next round of securities repurchase (repo) agreements, which it uses to provide market liquidity.

The latest repo, announced yesterday, was again at a fixed rate of 3 per cent. But only the first two repos during the four-week summer break will be fixed. The third could be switched to a variable rate next week, allowing it to attract investors and halt the dollar's climb.

D-Mark blues

Against the dollar (DM per $)



Source: Datastream/ICV

Some economists say a small repo rise could hit Germany's slow recovery, with little effect on the dollar. It could also anger other European countries with currencies linked to the D-Mark, especially ahead of monetary union.

Others argue a pre-emptive move by the Bundesbank could nip inflation in the bud.

Mr Otmar Issing, chief economist of the German central bank, expressed concern about the rising dollar and its impact on potential inflation. But in an interview with Börse Online, an investment magazine, he said there was "no automatic link" between interest rate decisions and a particular dollar level.

"As the dominant world currency, the dollar of course has special importance," Mr Issing said. "It is not the level, but the rapid decline in the value of the D-Mark that is a cause for concern," he said in the interview last week, when the dollar was below DM1.84.

Mr Issing also said the economy could reach the government's growth target of 2.5 per cent. Some economists said this suggested that concerns about slowing economic growth would not hinder a change in policy.

Late yesterday, the Bundesbank denied rumours that its central bank policy council was planning an emergency meeting today. a

Tax reforms, Page 2
Currencies, Page 19

Li Ka-shing buys Jardine group stake

Continued from Page 1

seek to offload their holdings following the sharp rise in the share price.

Others believed Mr Li was targeting Hongkong Land, possibly in concert with other groups. "I think there is a genuine intention to either strike a deal with the Jardine group or, if they won't play ball, to make a general offer," said the head of research at one US investment bank.

He said Mr Li might be seeking to put pressure on Jardine to gain access to Hongkong Land's property portfolio in the territory's business district.

However, there was agreement that it would be difficult for Mr Li to secure control over Jardine companies because of complex cross-holdings at the conglomerate.

Jardine Matheson says the Bermuda takeover code under which it operates would give voting rights to Jardine Strategic Holdings, its lynchpin, even though it comes under the same management. This would not be allowed under other jurisdictions.

US warns Mexico to stick with Zedillo policies

By Daniel Dombey in Mexico City

Mr Lawrence Summers, deputy secretary of the US Treasury, yesterday warned Mexico's new opposition-controlled Congress to continue the balanced budget policies of the administration of President Ernesto Zedillo.

"A basic pre-requisite for continued growth in the years ahead is continued sound policy," he said. "The [Mexican] government has targeted a balanced budget by 2000 – a laudable goal. Keeping this programme on track, against the backdrop of a multi-party configuration in Congress, will be a challenge."

Elections last month deprived Mexico's ruling Institutional Revolutionary Party (PRI) of a Congressional majority for the first time in seven decades, though it remains the single largest party.

The Zedillo administration has outlined its goal to bring this year's expected fiscal deficit of 0.5 per cent of gross domestic product to balance by the year 2000, but its proposals have to be approved by the new Congress and no mechanism yet exists to keep the government running if agreement is not reached.

Both the two main opposition parties – the left wing Party of the Democratic Revolution (PRD) and the right wing National Action Party (PAN) – have repeated campaign promises to reduce value added tax, despite PRI objections, while the PRD has said deficit spending on social programmes may be necessary.

Mr Jesús Ortega, the PRD's deputy leader, said the government's economic strategy was excessively tight. He said that by 2000 a fiscal deficit of 3 to 4 per cent of GDP would be acceptable, as well as inflation of 12 or 13 per cent rather than the government target of 7.5 per cent.

He added that a reduction in VAT could be partially financed by a tax on speculative investors, both Mexican and foreign.

Mr Summers said: "The US has a strong stake in the Mexican economy both because of our 2,000-mile border and because of our exports to the country."

Last year, US exports to the reviving Mexican economy were worth $67.5bn. Trade between the two countries totalled $140.4bn.

So far this year, the Mexican stock market has grown by 50 per cent in dollar terms and the peso has strengthened in nominal terms despite accumulated inflation of 9 per cent.

THE LEX COLUMN

Hong fever

The red flag has been raised over Cathay Pacific and Hongkong Telecom, but wresting control of the old opium trading hong Jardine Matheson would be the ultimate symbol of China's resumption of sovereignty over Hong Kong. Hence the fevered reaction to news that Mr Li Ka-shing has taken stakes in Jardine Matheson and its property arm Hongkong Land (HKL). Jardine shareholders may be hoping for a change of control. They have suffered underperformance as Jardine management seemed keener on constructing escape routes from Hong Kong than building value. The escape route of a bid would be welcome in many quarters.

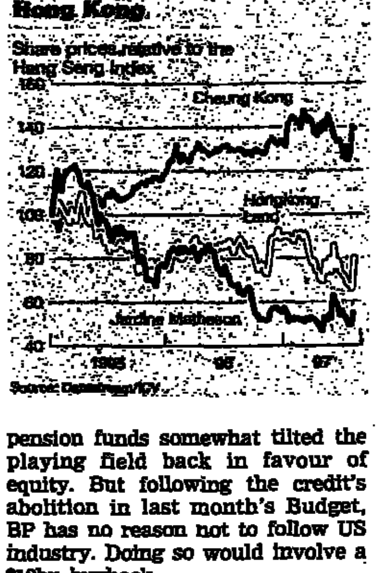
But the truth may be more mundane. If Mr Li planned a move on Jardine, why would he buy just over 3 per cent and have to disclose his stake, instead of launching a raid? Besides, the Keswick family controls Jardine with an iron fist. Though it has only a 7 per cent economic interest in the group, a protective cross-holding structure gives it 45 per cent of the votes. HKL is the weak link, with the Jardine group owning just 31 per cent – but that still represents control.

Still, Mr Li may think he can make a decent profit – he is up by over HK$70m (US$9m) already – while testing the ground. HKL shares look cheap. And if he finds widespread support for a bid for HKL, he could easily fund it via his Hutchison Whampoa vehicle. Alternatively, he may be able to use his increased influence to put pressure on HKL to cut him in on attractive property deals.

FTSE Eurotop 300 index: 997.16 (+8.9)

Hong Kong

Share prices relative to the Hang Seng index



Source: Datastream/ICV

British Petroleum

BP's promised $500m share purchase is a token of good intent. Maybe it will even mop up former chairman Lord Simon's shares. But, in itself, it will not stop the oil group's net debt – already below efficient levels – falling further. Fortunately, more purchases are planned once BP has the authority.

How big should the next buyback be? If the group sticks to its $7bn-$8bn net debt target, $2bn would do the trick. But BP should actually choose a much bigger figure. Its target amounts to only 10 per cent of its market capitalisation. The average among US oil groups – which appreciate that debt is more tax efficient than equity because interest payments are tax-deductible – is 25 per cent. In the old days, the dividend tax credit received by UK pension funds somewhat tilted the playing field back in favour of equity. But following the credit's abolition in last month's Budget, BP has no reason not to follow US industry. Doing so would involve a $12bn buyback.

While $12bn would be a reasonable figure in normal circumstances, BP should probably shoot for an even higher amount. At present, the company would be able to buy its shares without paying more tax. But, following a little noticed quirk in the Budget, buybacks may no longer be tax-efficient from March 1999. The system is barmy and will, with luck, be changed. But, if not, BP should disgorge as much cash as possible while there is still time.

Corporate governance

Sir Ronald Hampel's central message will warm hearts in many boardrooms: corporate governance bureaucracy must not interfere with wealth creation and common sense. Amen to that.

Nevertheless, good governance is a necessary answer to a real problem: the interests of management and shareholders can diverge. Whether this means destroying wealth in small ways (directors overpaying themselves) or big ones (empire-building acquisitions), governance paraphernalia is some protection. Sir Ronald's attack on petty box-ticking, in short, is splendid stuff – so long as it is not misinterpreted by governance laggards as an excuse to pull back from the improvements rightly demanded by Greenbury and Cadbury.

In one area at least, it probably will be: the question of whether the job of chairman and chief executive should be separated, where the report takes an excessively emollient line. To be fair, it does suggest all companies should appoint a senior non-executive director. But this is not the same protection from autocracy as a heavyweight independent chairman.

Still, the detail of the report is more compelling. Paying non-executives in shares is an excellent idea. So is the report's insistence that they are best appointed through proper nomination committees. Admirably, there is no suggestion that disclosure requirements on pay or pensions should be weakened. And on institutional shareholders the report rightly dismisses the case for compulsory voting and is sensibly sceptical about institutions all issuing competing governance guidelines.

None of this, of course, will take the governance debate big strides forward – or, for that matter, back. But for that, do not criticise Sir Ronald. Nothing he could say will count half as much as intelligent vigilance, and a willingness to act, on the part of non-executives and big shareholders.

NatWest

NatWest's management has eschewed quick fixes – from selling its investment bank to merging with an insurance group or building society – in favour of grinding operational improvements. So it is hardly surprising the stock market was unimpressed. Nonetheless, the management is in a weak position to negotiate deals given that its shares have underperformed the banking sector by nearly 30 per cent since January 1996 and NatWest Markets is making losses even before exceptional items.

Can the management, though, squeeze out operational improvements? The omens are poor. Taking capital away from NatWest Markets sounds sensible, given its low returns. But to achieve its target, the investment bank will have to increase operating profits by £500m ($815m); and doing that with less capital will be tough. In UK banking, its high cost/income ratio has been relatively stagnant through the 1990s, while Midland's has been slashed. Moreover, if the economy slows as much as the bank expects next year, it will be in the front line as the largest lender to small businesses.

FT WEATHER GUIDE

Europe today

Portugal, central and southern Spain and much of the Mediterranean will have blue skies and hot sunshine. Northern Spain and much of France will be cloudy with some heavy thunderstorms. These will spread later into parts of Switzerland, Austria and northern Italy.

There will be scattered showers over eastern Europe, occasionally heavy and thundery.

The Balkans will have some showers, but most parts will be dry with sunshine.

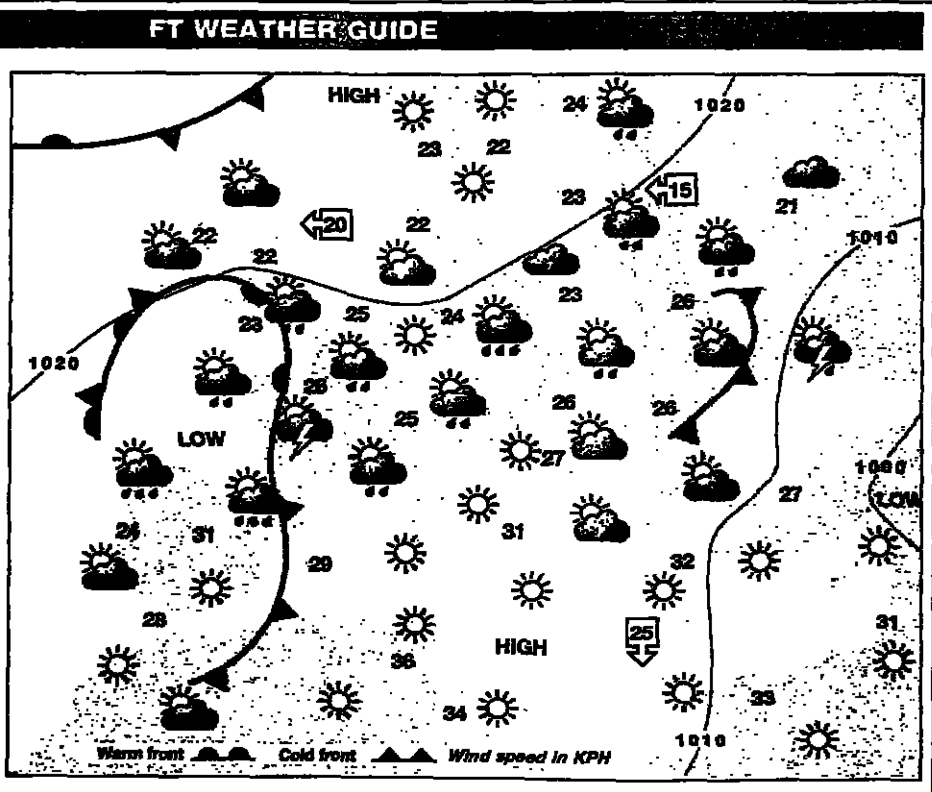
Germany, the Benelux and Scandinavia will be dry with plenty of warm sunshine, although it will be cloudier in north-west Norway.

Five-day forecast

It will continue unsettled in the west with thundery conditions in parts of Iberia, France and parts of the British Isles.

The Mediterranean, Scandinavia and much of central Europe will be dry with plenty of warm sunshine.

It will be unsettled in eastern Europe, with the risk of showers.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum Celsius	Beijing	Fair 35	Caracas	Thunder 33	Faro	Sun 28	Madrid	Sun 31	Rangoon	Thunder 30
		Belfast	Shower 22	Cardiff	Shower 20	Frankfurt	Fair 27	Majorca	Fair 30	Reykjavik	Shower 9
Abu Dhabi	Sun 41	Belgrade	Fair 27	Casablanca	Fair 24	Geneva	Thunder 26	Malta	Sun 31	Rio	Cloudy 27
Accra	Fair 27	Berlin	Cloudy 24	Chicago	Thunder 25	Gibraltar	Sun 29	Manchester	Fair 22	Rome	Sun 31
Algiers	Sun 32	Bermuda	Fair 31	Cologne	Sun 27	Glasgow	Fair 22	Manila	Thunder 35	S. Frsco	Sun 28
Amsterdam	Fair 26	Bogota	Thunder 17	Dakar	Fair 30	Hamburg	Fair 23	Melbourne	Shower 14	Seoul	Fair 30
Athens	Fair 32	Bombay	Thunder 31	Dallas	Thunder 34	Helsinki	Fair 24	Mexico City	Fair 26	Singapore	Thunder 33
Atlanta	Fair 30	Brussels	Fair 27	Delhi	Fair 29	Hong Kong	Thunder 34	Miami	Thunder 32	Stockholm	Fair 25
B. Aires	Fair 12	Budapest	Thunder 24	Dubai	Sun 41	Honolulu	Sun 32	Milan	Fair 27	Strasbourg	Thunder 27
B.Ham	Shower 21	C.Hagen	Fair 23	Dublin	Shower 21	Istanbul	Fair 26	Montreal	Fair 22	Sydney	Shower 18
Bangkok	Thunder 32	Cairo	Sun 31	Dubrovnik	Fair 28	Jakarta	Fair 32	Moscow	Fair 21	Tangier	Sun 26
Barcelona	Thunder 27	Cape Town	Shower 18	Edinburgh	Fair 20	Jersey	Shower 21	Munich	Fair 27	Tel Aviv	Fair 30
						Karachi	Fair 37	Nairobi	Fair 28	Tokyo	Rain 28
						Kuwait	Sun 46	Naples	Fair 31	Toronto	Shower 23
						L. Angeles	Sun 30	Nassau	Fair 33	Vancouver	Fair 26
						Las Palmas	Fair 27	New York	Sun 25	Venice	Fair 26
						Lima	Cloudy 24	Nice	Fair 29	Vienna	Thunder 23
						Lisbon	Sun 23	Nicosia	Sun 33	Warsaw	Thunder 21
						London	Shower 24	Oslo	Fair 23	Washington	Sun 28
						Lux.Bourg	Fair 26	Paris	Shower 26	Wellington	Fair 11
						Lyon	Thunder 27	Perth	Shower 19	Winnipeg	Fair 26
						Madeira	Shower 24	Prague	Fair 22	Zurich	Cloudy 25

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 6 1997
Week 32

IN BRIEF

Stora sees end to paper slump

Stora, the Swedish forestry group, raised hopes of an end to a protracted slump in the sector, saying prices of key paper products had rebounded in the second quarter. Page 12

Viacom reports $14m net loss
Viacom, the US entertainment company suffering a poor performance from its Blockbuster video rental subsidiary, reported a net loss of $14m from continuing operations in the second quarter. Page 14

Gold Fields bids for JCI's Tavistock
South Africa's two leading black businessmen are set to emerge as the key players in the restructuring of the country's mining industry, following a bid for Tavistock, JCI's coal subsidiary, by Gold Fields of South Africa. Page 12

Decline at KLM masks sharp recovery
KLM, the Dutch airline, achieved net profits of Fl 190m ($90.5m) in the first quarter to June, but the decline of nearly 30 per cent from the Fl 271m recorded a year earlier masked a sharp recovery at the operational level. Page 12

Bid blocked in London casino sector
London Clubs International, which in February launched a £192m ($313m) hostile takeover of Capital Corporation, was prevented from renewing the bid for its smaller casino rival by the UK government. Page 16

Saab plunges deeper into the red
Saab Automobile, the troubled Swedish carmaker managed and half-owned by General Motors of the US, plunged deeper into the red in the first half in spite of higher sales volumes. Page 12

China rubber group plans bond
Shanghai Tyre and Rubber is planning to raise $120m through an international convertible bond issue later this year, leading the trend of Chinese companies turning to convertibles to raise foreign capital. Page 13

NatWest rejects merger suggestions
The UK's National Westminster Bank promised a "strong, independent future", rejecting suggestions that it needed to merge with a stronger financial company. Page 16; Lex, Page 10

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deutsche Babck	138.1	+	5.1
Holzmann	585	+	24
Ind Werke	486.5	+	13.5
Kali & Salz	162	+	7
Preussag	562.0	+	13.5
Falls			
Porsche	2805	–	120
NEW YORK ($)			
Rises			
Aeroflex	8¼	+	1⅝
Barrett Res	31½	+	2¾
Boston Tech	27⅞	+	2⅛
Whittaker	13⅛	+	1⅝
Falls			
Aetna	103¾	–	13¼
Enserch Expl	7⅝	–	2
LONDON (Pence)			
Rises			
Graseby	207½	+	58
Falls			
ASI Leisure	60	–	16
Betacom	49	–	9½
Capital Corp	165	–	19
Chesterton	33½	–	23½
Tradepoint	65	–	10
TORONTO (C$)			
Rises			
Cascades	10.6	+	1.0
Connor Clark A	10.75	+	0.95
NQL Drilling	11.00	+	0.75
YBM Magnex	11.80	+	0.85
Falls			
Oxford Prop	33.0	–	2.5
Softkey Softwr	16.95	–	3.05

PARIS (FFr)			
Falls			
BNP	275.0	–	5.5
Bertrand Faure	335.0	–	7.1
Canal Plus	1100	–	35
Imetal	846	–	22
Lagardere	174.5	–	4.5
Valeo	382.9	–	10.1
TOKYO (Yen)			
Rises			
Seiyo	805	+	34
Falls			
Central Fin	227	–	22
Daikyo	284	–	31
Hattori Seiko	841	–	39
TDK	9820	–	480
Toyo Constn	136	–	16
HONG KONG (HK$)			
Rises			
Amoy Props	9.0	+	0.2
HSBC Hldg (5)	270	+	6
SHK Ppt	105.5	+	4.0
VanBroker Intl	13.55	+	0.55
Falls			
Cathay Pac Air	14.20	–	0.45
Hang Seng Bk	107	–	4
BANGKOK (Baht)			
Rises			
Asian Marine	12.5	+	1.0
Falls			
Bangkok First	49.25	–	5.25
Phatra Thanakit	48.75	–	5.25
Securities One	39.00	–	4.25
Siam Makro	72	–	8
Thai Reinsure	63	–	7

New York and Toronto prices at 12:30.

UBS in dispute over investment

By William Lewis in London and William Hall in Zurich

Executives of UBS, the largest Swiss bank, and PDFM, its UK fund management subsidiary, appear to be at odds following a disagreement about changes to investment operations and strategy.

The dispute may have implications for the future of Mr Tony Dye, chief investment officer of PDFM, who is known as Dr Doom because of his belief that the UK stock market is poised to collapse.

UBS, which yesterday unveiled a 67 per cent surge in first-half net income to SFr1.86bn ($1.22bn), has informed its shareholders that following poor investment performance PDFM has changed its investment process, including the way it decides which shares to buy.

The Swiss bank has also indicated that PDFM has considered altering the way it allocates assets to different markets. The bank also implied that PDFM's investment strategy may be changed.

However, both statements were denied by executives at London-based PDFM. They insist they have made only minor changes to their investment process and that they have no plans to change their controversial investment style.

Last year, details emerged of PDFM's application of the investment philosophy known as value investing, through which about 12 per cent of its £48bn ($78bn) balanced funds have been invested in cash. This compares with an industry average of just under 8 per cent and is based on PDFM's view that the US and UK stock markets are overvalued.

PDFM's stance dates back to March 1995, since when stock markets have risen to record levels, denting its investment performance.

Pension fund clients have remained loyal to PDFM, partly because of its insistence that it will not alter its strategy.

In a letter to shareholders Mr Robert Studer, UBS chairman, and Mr Mathis Cabiallavetta, chief executive, state that PDFM's "investment process has been thoroughly revamped, but a change of strategy is not opportune at the current point in time".

Officially yesterday UBS said only that PDFM's "investment process has been reviewed and it has been decided not to change the strategy at the moment". Privately, however, UBS executives blamed translation errors and described as a mistake the statement made in the letter to shareholders.

UBS's robust performance reflects the benefit of strong financial markets, a sharp drop in loan loss provisions, and the effects of a weaker Swiss franc.

The recovery in the fortunes of UBS owes much to the strong performance of its private banking business, where it is the market leader.

In line with rivals, Page 12



Signs of discord: Robert Studer of UBS, left, and Tony Dye, of its fund management arm PDFM

Penicillin prices spark Gist profits warning

By Gordon Cramb in Amsterdam

Shares in Gist-Brocades, the Dutch biotechnology group, fell nearly 18 per cent yesterday after it warned that profits would be lower this year.

The company, the world leader in antibiotics, blamed a steeper than expected fall in prices for penicillin and its derivatives, the main products in its industrial pharmaceuticals division, which last year provided 43 per cent of its Fl 2.02bn ($966m) sales.

Gist-Brocades produces about a third of the world's prescribed penicillin – partly from joint ventures with DSM of the Netherlands and the Anglo-American SmithKline Beecham group.

The company said that, although its activities in bakery ingredients and food specialities were in line with expectations, profits for the year would "show a slight decrease compared with those of 1996". In February, Gist-Brocades projected a "clear increase" for this year, reporting a 10 per cent rise in annual net earnings to Fl 158.5m.

The company said yesterday it had expected penicillin prices to decline significantly this year because additional capacity had come on stream, especially in India and China. In the second quarter, penicillin prices fell to historic lows. A bigger than expected fall had left prices at about half the average of the past few years.

Gist-Brocades' shares closed Fl 13.90 lower at Fl 64.90. Adding to the indignity, the Amsterdam stock exchange said the company, with the shipping group Nedlloyd, was in danger of losing its place in the AEX index of the bourse's top 30 stocks because other companies were growing and their shares becoming more actively traded.

Gist-Brocades said that penicillin prices had risen in the past few weeks. The recovery was expected to continue after a number of other manufacturers had ceased production because of the poor market.

According to Mr David Kerstens, analyst at ABN Amro Hoare Govett in Amsterdam, penicillin prices are expected to rally by 20 to 30 per cent in the current six months.

"Prospects for Gist in the second half of 1997 and in 1998 are very bright," Mr Kerstens said, but added that the company's directors would "have a major credibility problem, because they maintained for such a long time that there would not be this type of effect".

He said: "I am quite disappointed that they had been denying this all that time and now come out with a profit warning."

World Stocks, Page 30

BP to ask shareholders to approve buyback

By Robert Corzine in London

British Petroleum is to launch a share buyback programme to ensure that investors benefit directly from record profits and a fast improving balance sheet at the integrated oil group.

Directors will ask shareholders at next April's annual meeting to give them authority to initiate a buyback scheme, although executives said it was too early to give details of how extensive it would be.

However, BP will act before then to rein in what has become an "unacceptably high" growth rate in the number of shares in issue. It will do so by buying $500m in the open market for its employee share scheme rather than issuing new shares.

The announcement came as the company yesterday reported record interim replacement cost profits of $2.4bn, 21 per cent up on last year.

Mr John Browne, chief executive, said recent tax changes in the UK had made the dilution issue more pressing. Until last month's Budget, the annual growth in the number of BP shares in issue was about 1 per cent.

That was mainly as a result of a scrip dividend option that appealed to many tax-exempt investors from the US and individual, tax-paying shareholders in the UK. "But the take-up of scrip has doubled from around 30 per cent to 60 per cent as a consequence of recent UK budget changes," he said.

The resulting increased dilution rate of 2 per cent a year was "unacceptable", according to Mr Browne.

A growing confidence in BP's ability to deliver sustainable profit increases was another factor behind the share buyback scheme, said executives.

The company reported that net debt had fallen to $6.1bn, well below BP's target range of $7bn-$8bn. That, said Mr Browne, provided the financial capacity "for an additional distribution to shareholders". BP also announced a 16 per cent year-on-year rise in the half-year dividend to 10.75p a share.

Mr Browne said it was impossible to set out a detailed buyback strategy until after the next UK Budget – when the government is expected to clarify its policy on foreign income dividends (Fids).

The planned purchase of $500m of BP shares in the open market "gives us a start in stopping dilution while waiting for the [political] uncertainty to be cleared up", he said.

Mr John Toalster, oil analyst at broker Societe Generale Strauss Turnbull, said the buyback "shows confidence in the future".

Intel and SAP offer software for selling on internet

By Louise Kehoe in San Francisco

Intel, the world's largest semiconductor manufacturer, and SAP America, the US arm of the German business software group, yesterday said they were forming a joint venture to offer business systems linked to the internet.

The jointly owned Pandesic will offer a combination of systems, software and services to enable companies to sell goods and services on the internet.

Over the next five years analysts expect electronic commerce on the internet to grow from current levels of $8bn a year to more than $300bn. However, traditional business process software is not geared to deal with the real-time transactions on the internet, said Mr Craig Barrett, Intel president.

Pandesic says it has put together software from SAP and Microsoft, personal computers and servers based on Intel technology, and several products from other vendors to create a complete "order-to-cash" system that includes service and support.

The Pandesic system will handle everything from the receipt of an order to delivery, including all "back end" business processes. These range from management of warehouse inventories to payment systems, taxes and duties, shipping and handling logistics and financial reporting.

Mr Barrett noted that many businesses know that electronic commerce represents both an opportunity and a threat to their operations, and said Pandesic aims to remove the "anxieties" they have about launching into electronic business.

Billing will be based on a percentage of a customer's online revenues, which will reduce start-up costs and enable merchants to enter the electronic marketplace quickly, said Mr Harold Hughes, a former Intel executive who has been appointed chairman of Pandesic.

The group said the Pandesic system can be fully installed and productive in as little as two weeks. The first version of the package is scheduled to be available in the third quarter of this year.

Barry Riley

Fund managers attempt mission impossible

It is all very well to be ambitious, but why are so many UK pension fund managers embarking on mission impossible? And why are their clients sending them off to their almost certain doom?

Median-plus investment objectives are frequently set by British pension scheme trustees. The common version is that the manager should beat the median fund return by 1 percentage point annually over three-year rolling periods. The harder variant involves the median plus 2 percentage points.

But in the three-year period ended 1996, only 11 per cent of managers with the first objective were successful, and a mere 6 per cent with the second.

In fact, during each of the past three years, these supposedly median-plus funds, in aggregate, have actually underperformed the median return on all comparable funds.

These curious statistics emerge from new research by the Edinburgh-based performance consultancy, WM, which has extracted figures from its database covering more than 1,500 funds worth £400bn ($652bn).

Added value targets are absolutely appropriate, concludes the WM study, but with Scottish prudence it comments that they should be "rational and achievable".

In contrast, median plus 2 seems to involve a 94 per cent chance of disappointment over three years.

These targets were not always so unreachable, however. WM has collected annual figures back to 1992, in which year 48 per cent of the median plus 1 managers met their objective and as many as 71 per cent of the group with median plus 2 briefs. Repeating such a trick over three consecutive years is tough, but 43 per cent of the median plus 2 managers were successful in the 1992-94 period.

A median plus 1 target was assumed, a few years ago, to approximate to a top quartile objective (in the top 25 per cent of results). Now it appears to have tightened almost to top decile (the best 10 per cent). The reason is that the range of returns within the overall funds universe has narrowed.

> Little sign that managers are ready to take on higher portfolio risks necessary to achieve demanding targets

The growing domination of a few big investment houses may partly explain this. The widespread adoption of risk control techniques, intended to reduce the volatility of returns against indices and/or the peer group, is likely also to have been a factor.

WM itself points out that different asset classes happen to have delivered similar returns in recent years, reducing the impact of variations in asset allocation. Not that the differences in asset allocation between median-plus and other funds are significant.

It seems that fund managers seek to hit the more ambitious targets by being aggressive in their equity stock selection. But this has clearly ceased to work well recently.

WM says the decline in performance probably reflects the way fund managers tend to be appointed to these demanding briefs on the basis of their previously good returns which, as another of WM's research studies has shown, usually fail to persist.

There is little sign that managers, in general, are ready to take on the higher portfolio risks necessary to achieve demanding targets. Oddly, whereas only 11 per cent of the median plus 1 funds achieved their rolling target during 1994-96, 21 per cent of the funds in the total funds universe did so.

It is almost as though the median-plus managers are happy to underperform modestly – on the assumption that they will still be able to retain the contract for three or four years, and maybe more, rather than risk a really bad year which could see them out on their ears quickly.

Meanwhile, the managers are forced to insist, against the evidence, on their ability to achieve high returns, or otherwise they will cede still more market share to the index-trackers. But surely the trustees will become increasingly sceptical as they rotate from one disappointing manager to the next.

US generator attracts European groups

By David Owen in Paris and Stefan Wagstyl in London

Framatome, of France, and GEC Alsthom, the Anglo-French power engineering and transport joint venture, yesterday confirmed their interest in the power generation activities of Westinghouse of the US, in a move that may herald new consolidation in the industry.

GEC Alsthom, the joint venture between the UK's General Electric Company and Alcatel Alsthom of France, said it was interested in Westinghouse's *fossil-fired* power generation business. Framatome, the nuclear engineering group which *also has* Alcatel *as* a shareholder, stated its interest in buying the US group's nuclear activities.

Both European groups, however, denied having started negotiations with the US group, which is splitting into two entities – one for broadcasting and the other for manufacturing, including power engineering. Their statements followed a report in Libération, the French daily newspaper, that they had last month lodged a joint offer for the power businesses of their US rival.

Mr George Simpson, GEC *managing director, said that* buying Westinghouse's thermal power business would make sense for GEC Alsthom, given Westinghouse's technological strengths and its strong position in the US and east Asia.

Westinghouse declined to comment. The group has struggled to keep its power generation businesses in profits in the face of recession in nuclear engineering and intense competition in fossil fuel-fired generation.

In the six months to the end of June, Westinghouse made a $41m operating loss in thermal power generation and a $43m loss in nuclear energy systems.

Industry executives have long believed that Westinghouse would like to sell these businesses to a competitor, but would find it difficult to achieve a good price because of the costs of cleaning some of its nuclear sites.

Selling the thermal power business separately would run the risk of making disposal of the nuclear business even more *difficult*.

Yesterday's developments come less than a month after GEC announced proposals for a £4bn ($6.5bn) stock market flotation of GEC Alsthom as part of a move away from what Mr Simpson described as "a joint venture culture".

This followed long and controversial efforts to agree a merger between GEC Alsthom *and Framatome*. But this year the nuclear engineering group said it had been *told by its main share*holders – Alcatel and the French state – that a deal was highly unlikely.

Losses deepen at Swedish carmaker

By Greg McIvor in Stockholm

Saab Automobile, the troubled Swedish carmaker managed and half-owned by *General Motors of the US*, plunged deeper into the red in the first half in spite of higher sales volumes.

Pre-tax losses deepened from SKr428m to SKr600m ($74.7m), but turnover advanced from SKr10.1bn to SKr11bn as sales of Saab cars rose 3 per cent.

Mr Bob Hendry, chief executive, blamed the heavier losses on significantly higher sales and marketing *costs, as well as higher costs* associated with the launch next month of Saab's new top-of-the-range saloon, the 9-5.

He said there had been heavy spending on improving Saab's sales network and on raising awareness of the brand.

"While this effort has neg*atively affected our near*-term financial performance, it was gratifying to note the improved sales in many markets in the first half," Mr Hendry said.

The company, which is half-owned by Investor, the main investment arm of Sweden's Wallenberg industrial empire, had predicted *continued losses this year*.

Mr Hendry, a General Motors executive brought in last year to turn Saab round, said yesterday that product development costs and marketing initiatives – including one-time costs relating to the 9-5's launch – would "depress financial performance" for the rest of *the year*.

KLM ahead strongly at operating level

By Gordon Cramb in Amsterdam

KLM, the Dutch airline, posted a decline of nearly 30 per cent in first-quarter net profits, from Fl 271m a year earlier *to Fl 190m ($90.5m)*, but the fall masked a sharp recovery at the operational *level*.

As traffic grew and cost cuts took effect, operating income *reached Fl 244m*, three times the Fl 80m in the same period of 1996.

The bottom line a year ago was bolstered by Fl 245m from a shake-up in its holding of preference shares in Northwest Airlines, its US partner. In the latest quarter, Northwest, with which KLM is unwinding its equity *links, brought in only* Fl 56m.

Mr Pieter Bouw, president, described the result as "very positive".

The airline has been burdened by higher fuel costs, which rose 31 per cent in the three months. However, nearly half the increased bill in the period came from the carrier's own expansion – the consolidation of Air UK, *a former associate of which* it took full control in April, and a strong increase in vol*umes flown*.

Traffic was up 16 per cent, measured by revenue passenger kilometres, with the load factor jumping to 78.9 per cent occupancy of available seats, compared with 73.4 per cent. Cargo grew a more modest 3 per cent, but the yield per revenue tonne kilometre was up 12 per *cent*.

This brought in operating revenues of Fl 3.26bn, up nearly one-third from Fl 2.45bn. Costs rose 27 per cent to Fl 3.02bn, influenced by the higher fuel bill and a 15 per cent rise in salary outlays caused mainly by the growth in staff numbers, including nearly 2,400 employees from Air UK.

KLM forecast that if a *restructuring* launched last November remained on track and no external factors *changed, then "as far as* operating income for the full fiscal year is concerned, we expect to approximate the level attained in the better years in KLM's recent history".

Mr Bouw told the annual meeting: "The liquidity of KLM is such that it can enter into new investments *and joint ventures*." Building the global airline system to which it aspired meant *the company* "will intensify alliances". One potential partner was Alitalia of Italy.

"We are investigating possibilities to see to what extent we can co-operate."

Pieter Bouw: group seeks to 'intensify alliances'

Speculation surrounds SA mining

By Mark Ashurst in Johannesburg

South Africa's two leading black businessmen are set to emerge as the key players in the restructuring of the country's troubled mining industry, following a bid for Tavistock, JCI's coal subsidiary, by Gold Fields of South Africa.

The move is the first indi*cation that Mr Cyril Rama*phosa, deputy chairman of New Africa Investments, South Africa's biggest black-controlled company, could enter into negotiations with Mr Mzi Khumalo, chairman of JCI, the country's first black-controlled mining house.

New Africa is in talks with *Rembrandt, the industrial* and mining group controlled by South Africa's Rupert *family, to acquire joint con*trol of Gold Fields, the world's third largest gold producer.

The talks are widely expected to install Mr Ramaphosa, who was last year defeated by Mr Khumalo in the bidding for Anglo American's controlling stake in JCI, at the head of Gold *Fields*.

Analysts said a deal between Tavistock and Gold Fields, which owns coal reserves adjacent to JCI mines, could trigger a new era of co-operation across the mining industry.

"My impression is that this initiative comes from the highest level. If they *have aspirations to build* sound companies, they will forget their differences. *Without increasing its size*, Gold Fields Coal does not have the critical mass to survive in the longer term," said Mr Dean Cunningham, analyst at Investec in Johannesburg.

JCI last month secured an option to buy Anglo American's 26.7 per cent stake in the UK-based Lonrho group *for R2.45bn ($529m), and is* already pursuing closer ties with Duiker, Lonrho's coal subsidiary. The Gold Fields offer will increase pressure on Lonrho to re-examine Mr Khumalo's proposal to merge the UK-based group with JCI. Merger talks broke down in June following opposition from Lonrho.

If JCI's merger ambitions with Lonrho fail, analysts say JCI could accept the *Gold Fields offer, which* would help fund its obligation to Anglo, due in November. A deal with Gold Fields Coal could signal "the first intention of an aggressive takeover of Lonrho" by JCI, said Mr Cunningham.

● Shares in Sentrachem, the South African chemicals producer, gained almost 25 per *cent to close at R10 in Johan*nesburg yesterday, following a takeover bid by US-based Dow Chemical. The shares were suspended at R7.92 on Friday.

Dow's offer of R10.50 a share was this week accepted by Sankorp, a subsidiary of life assurer Sanlam, which holds 38 per cent *of Sentrachem*.

Stora sees upturn despite 24% slide

By Greg McIvor

Stora, the Swedish forestry group, raised hopes of an end to a slump in the sector, saying prices of key paper *products had rebounded in* the second quarter.

Announcing a 24 per cent slide in half-year profits, Mr Lars-Ake Helgesson, chief executive, said a downward spiral in pulp and paper prices which has depressed the market since late 1995 had been reversed.

Pre-tax profits slid from *SKr1.6bn to SKr1.2bn* ($149m). Sales fell from SKr24bn to SKr22bn, as prices of Stora's products declined about 13 per cent.

However, Stora emphasised that in the second quarter prices rose 2 per *cent on the first*.

"What we have seen in the second quarter feels like a break in the trend," Mr Helgesson said. He suggested that the highly cyclical forestry industry was in better shape than at any time during the 1990s.

Capacity increases had been lower than expected, *Mr Helgesson said*, and he was confident the current revival in prices would *continue*.

Stora's most-traded A shares rose SKr1 to SKr132.50.

Stora said demand in Europe strengthened in the second quarter as a stronger US dollar lifted exports. Prices benefited *from higher* prices of wood pulp, the main ingredient of paper.

Pulp prices have risen in recent months as stocks of Norscan pulp, the industry benchmark, have declined from a high of more than 2m tonnes earlier in the year to about 1.5m tonnes.

Stora said the reduction reflected increased orders from paper producers and strikes at some Canadian *pulp mills, which dampened* supply.

EUROPEAN NEWS DIGEST

Wolters Kluwer advances 21%

Wolters Kluwer, the Dutch business publisher, lifted net profits 21 per cent to Fl 244m ($116.2m) in what it hailed as a "very successful" first half to June. The group benefitted from the strong dollar and acquisitions, including Groupe Liaisons in France and Adis in New Zealand, incorporated from the end of 1996. It said the restructur*ing of CCH in the US, taken over* last year, was proceeding to plan.

It bought further publishers in Europe and the US dur*ing the half-year* and *said yesterday*: "*It is expected* that this trend will continue." In part because of the acquisitions, financing charges rose 24 per cent to Fl 102m, although Wolters Kluwer stressed that outlays in US dollars were "amply neutralised by operational income in this currency". The earnings growth reflected a 20 per cent rise in sales to Fl 2.42bn.

Gordon Cramb, Amsterdam

■ STEEL

Ispat lifts offer price and size

Ispat International, the fast-growing steel company planning to float tomorrow *on the New York and Amsterdam* stock exchanges, yesterday increased the price and size of its proposed offering in a move which suggests the shares appeal to investors.

The company is to be sold at an estimated price per share of $26–$27, instead of $22-$26, raising Ispat's estimated market value to $3.3bn-$3.42bn. Mr Lakshmi Mittal, founder and chairman, is increasing the number of shares he is selling for his own benefit from 3.25m to 9m. The increase will reduce Mr Mittal's holding after the flotation to 80.3 per cent, instead of 84.8 per cent, as proposed. In *addition, Mr Mittal is giving the underwriters* a further 3.75m shares to sell under a greenshoe option if the offering is heavily oversubscribed.

Stefan Wagstyl, Industrial Editor

■ DENMARK

GN Store plans share issue

GN Store Nord (Great Nordic), the Danish cellular telephone operator and electronics manufacturer, *plans to raise DKr700m-DKr1bn ($98.6m-$140.8m)* this autumn through a share issue. The issue will follow a revamp of the group's structure, including the solvent liquidation of GN Store Nord Holding, *formed in 1928* to ensure that control of the group remained in Danish hands.

The holding company owns 27 per cent of the votes but only 9.9 per cent of the capital in the operating company, GN Store Nord. Following the holding company's liquidation, a restriction would be introduced under which no single shareholder in GN Store Nord would be permitted to vote for more than 7.5 per cent of the company's capi*tal, the group said yesterday*.

The proposed changes will be put to shareholders in the two companies on August 28. Shareholders in the holding company will be compensated with a one-for-one swap with shares in the operating company, after the face value of the shares in both companies has been changed from DKr100 to DKr20 through a five-for-one split. GN said half the yield from the share issue would be used to lift investment in Sonofon, the cellular phone operation.

Hilary Barnes, Copenhagen

■ *TELECOMS*

'Robust' sales lift ECI 24%

ECI Telecom, the Israeli manufacturer of telecommunications equipment, yesterday said robust sales had helped lift net income 24 per cent during the first half of 1997 from $48m to $59m. Earnings per share were up from 63 cents to 78 cents. Revenues grew 19 per cent from $271m to $322m.

Avi Machlis, Jerusalem

UBS falls into line with rivals

By William Hall in Zurich

Yesterday's figures from UBS have brought it into line with its two big Swiss rivals on the disclosure of the profitability of the various businesses.

In the first six months, private banking reported pretax profits of SFr1.1bn ($721m), and asset management made profits of SFr172m. Together, the two business earned SFr1bn after tax on capital of SFr2.5bn.

Nearly half the SFr23.3bn of UBS equity capital is still tied up in corporate and *institutional finance*, which reported after-tax profits of SFr474m, and a return on equity of 9.5 per cent.

Another SFr5.6bn of capital is invested in trading and sales and risk management services, which earned net profits of SFr365m, and a return on equity of 13 per cent.

The *Swiss retail business*, backed by capital of SFr1.9bn, reported a SFr26m *net loss*.

The marginal growth in trading income contrasts with a 50 per cent rise in the first half of 1996, but most analysts seemed not too concerned about the perfor*mance of a traditionally vol*atile earnings component.

UBS described its equity trading as disappointing and said the 52 per cent drop in income was "attributable to unsatisfactory earnings in equity derivative operations due mainly to valuation adjustments on trading positions".

Mr Robert Studer, chairman, and Mr Mathis Cabiallavetta, chief executive, said in a *letter to shareholders* that the group expected to achieve a return on equity of more than 12 per cent in the current year, two years ahead of target.

Total assets rose 17.7 per cent to SFr514.7bn, and shareholder's equity rose 6 per cent to SFr23.3bn. At the end of June 1997, UBS had a *BIS capital ratio of 11.8 per* cent and a Tier One ratio of 9.2 per cent. The number of staff employed fell 1.8 per cent to 28,641.

[redacted]

COMPANIES AND FINANCE: ASIA-PACIFIC

Shanghai Tyre and Rubber wins approval for $120m convertible to fund expansion of production

China rubber group plans overseas bond

By James Harding in Shanghai

Shanghai Tyre and Rubber is planning to raise $120m through an international convertible bond issue later this year, leading the trend of Chinese companies turning to convertibles to raise foreign capital.

The money will be used to expand tyre production in the face of growing demand caused by the extension of the motorway network and the increasing number of private cars in China.

Mr Gu Weiliang, chief executive, said yesterday the company had won government approval for "a convertible bond issue on a trial basis", adding that "conditions are right for the issue", as the company returned to profit last year and is expecting a slightly improved performance in 1997.

China's regulatory authorities are drawing up rules governing overseas convertible bond issues, which are seen as a relatively cheap and convenient way to meet the strong demand for overseas funds from expanding mainland companies.

Beijing has so far approved convertible bond issues on an ad hoc basis, allowing five mainland groups to raise about $600m through overseas convertible bonds since 1993. But the state planning commission has promised to publish the new regulations by the end of this year, enabling a queue of Chinese companies to pursue plans for convertible issues.

Mr Hoong Lik Yuen, chief representative of ING Barings in Shanghai, said convertible bonds should be popular in principle among both issuers and investors. "They offer the issuing company flexibility and investors have a healthy appetite for them, because many Chinese companies have disappointed people in the past . . . and a convertible offers a little safety."

Convertible bonds can be converted into shares in the company or be repaid at the time of expiry in the manner of a normal bond.

Mr Gu said the company was choosing to raise money through a convertible bond because it would be cheaper than adding to its borrowings from Chinese state banks. Tyre and Rubber's listed equity would be diluted only gradually.

Tyre and Rubber has seen strong growth since a management reshuffle in February last year. The company reported 1996 net profits of Yn109.1m ($13.1m) on turnover of Yn3.98bn, compared with a loss in 1995 of Yn170.4m on sales of Yn3.41bn, according to international accounting standards.

In 1997, the company is expected to lift overall sales to about Yn4.5bn, but profits are expected to be flat, held back by the squeeze on margins from falling tyre prices in China and payment of an historic tax charge.

The Chinese accounts for the first half of this year are expected to show pre-tax profits of Yn81.97m. The international figure was not available, but is expected to be similar.

The fall in rubber prices over the past year has led some rivals to cut tyre prices by as much as 20 per cent, forcing Tyre and Rubber to reduce its prices by 10 per cent, Mr Gu said.

PROFILE

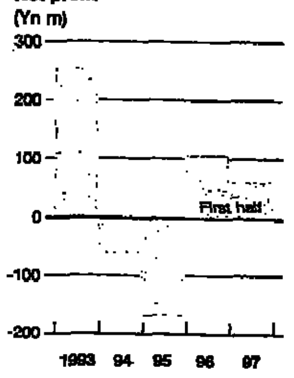
Shanghai Tyre & Rubber

Market value	$783.9m
Main listing	Shanghai
Gross yield	2.5%
Current share price	$0.482

Turnover	Yn bn
1993	2.27
1994	2.10
1995	3.41
1996	3.98

B share price relative to the CLSA China B index

Net profit (Yn m)



Source: Reuter; Datastream/ICV

Birla scales down its attachment to jute

The Indian group is seeking to put the emphasis on its cement operations, writes **Kunal Bose**

The Birlas family, which runs India's second-largest company, Birla Jute & Industries, admit that they have an "emotional attachment to jute": they were one of the first Indian groups to run jute mills when the industry was dominated by the British.

But the group now makes 70 per cent of its Rs10.47bn ($293m) revenues from cement, and when it sold Bally Jute, one of its three jute mills, the company changed its name to Birla Corp.

"Our core competency is no longer in jute, which hardly contributes 10 per cent to the group revenue. Our new name will help build another strong Birla brand equity," says Mr A. L. Kapur, director and chief executive officer.

Added to that is the burden an uneconomic jute operation put on net profits, which fell 83 per cent in 1996-97 to Rs73.6m.

"We have no business to be in a business which does not generate profits," says Mr Kapur. "Our jute operation is subsidised by the cement division, whose margins have come under pressure because of the protracted recession in demand."

As well as selling the 90-tonne-a-day Bally Jute mill, Birla Corp has asked a business associate to run its Soorah jute mill, which has a capacity of 40 tonnes. The moves mean Birla "will be seen in a better light", according to Mr Navin Suchanti, managing director of Pressman Securities, the stockbroker.

"Jute is making a negative contribution to the company's balance sheet but, being highly labour-intensive and prone to industrial unrest, it claims a lot of management time," he said. "The sale of Bally will cut losses on the jute account and allow the company to be focused on its core competence areas."

The last decade has seen a big change in the ownership of jute factories, according to Mr Shankar Ladia, managing director of F. Kanhailal, the jute trading house. "Williamson Magor, Duncans, Andrew Yule, Mcleod and the Kanorias have all exited from or reduced their exposure to the industry. A consensus is emerging that jute mills, because of their management complexities, would better be run by entrepreneurs."

> 'Jute is making a negative contribution to the balance sheet but, being highly labour-intensive and prone to industrial unrest, it claims a lot of management time,' says one analyst

Mr Kapur is clear why Birla Corp wanted to pull back from its involvement in jute. "The three factories employ nearly 13,000 workers. I wanted to downsize the workforce by about 3,000, but the unions did not relent. I am saying that the wage bill should not be more than 25 per cent of the total production cost of jute goods. Where is the scope for earning any profits when wages account for nearly 33 per cent of total cost?" he asks.

According to analysts, however, Birla Corp cannot move away completely from jute. Birlapur, where the group's largest jute factory is located, houses five other big units within a common boundary. Since selling that factory is not an option, Birla will be moving to higher value-added products.

"I want to produce more quality yarn for export and independent weavers and reduce the size of the weaving section," says Mr Kapur. "Over a period of four to five years, we should be able to tackle the problem of surplus workers by not be replacing those who retire or die in harness."

Mr Suchanti believes that reducing the jute side will allow the management to concentrate on cement, which faces its own problems. The company's five cement factories, with combined annual capacity of 3.55m tonnes, are located in the north and east of the country where supply is exceeds demand. Despite rising production costs, the company has not been able to lift its prices for more than a year and a half.

However, Birla Corp plans to invest Rs4bn in a 1.5-tonne capacity cement plant in the southern state of Andhra Pradesh.

"The plant will allow us to sell cement all over the south, where demand exceeds supply. We have also received all the clearances to set up a 1.2m [tonne] capacity cement plant at Satna in Madhya Pradesh, but we want to build the unit in Andhra Pradesh first, to have a national presence in the cement market," says Mr Kapur.

Birla Corp is also forming a 50-50 joint venture with Redland, of the UK, to make ready-mixed cement concrete.

"There will be an explosion in the demand for RCC as more and more concrete roads are built and the general construction work becomes sophisticated," says Mr Kapur.

Analysts believe cement prices will start rising from October, which will contribute to the group's bottom line in the current year. "We are looking forward to a real good year in 1998-99," according to Mr Kapur.

ASIA-PACIFIC NEWS DIGEST

Wesfarmers posts strong advance

Wesfarmers, the Australian rural products and services group, reported a 43 per cent increase in pre-tax profits to A$219.2m (US$161.9m) for the year to June. The increase was achieved on strong contributions from each of the group's four divisions, which lifted total sales 8 per cent to A$2.7bn. The results from the Perth-based group included a one-time gain of A$41.6m from the sale of its 50 per cent stake in explosives concern Dyno Wesfarmers.

Industrial stoppages at the group's Collie coal operations in the last two months of the year held back growth at Wesfarmers Energy, which reported an 11 per cent increase in pre-tax profits to A$97m.

Hardware and forest products saw pre-tax profits rise 21 per cent on strong retail sales in its chain of warehouse stores. Cost cuts at the rural division more than offset lower wool and beef prices, and contributed to a strong increase in pre-tax profits to A$22.1m, from A$1.7m.

Wesfarmers expects continued growth in the current year, driven largely by its hardware unit which plans to open more stores. It also expects wool and beef prices to improve, but warned of an impact on the rural division's profits from drought caused by the El Niño weather system.

Last month a Wesfarmers bid for 19.9 per cent of ICI Australia, which was spun off from Imperial Chemical Industries, of the UK, was rejected.

Elizabeth Robinson, Sydney

■ SEMICONDUCTORS

Sharp decline at TSMC

Taiwan Semiconductor Manufacturing (TSMC), Taiwan's leading semiconductor maker, posted a sharp decline in net first-half profits amid difficult market conditions. Net profits for the January-June period slid to T$6.6bn (US$229.5m) against T$11.3bn a year earlier. Revenues dropped to T$16.9bn from T$21.3bn in the first half of 1996. The company offered no reasons for the profit fall, but industry analysts attributed the slide to an overall market decline.

In June, TSMC raised its 1997 net profit target by 60.9 per cent to T$14.7bn. The 1997 sales target was lifted 15.4 per cent to T$40.6bn, from T$35.2bn. Company officials and industry analysts say the semiconductor market bottomed out in the second quarter and expect it to recover significantly in the second half. *Laura Tyson, Taipei*

■ RETAILING

Debut bond issue for Woolworths

Woolworths, the Australian retailer, yesterday announced details of its debut on the domestic and US capital markets with the issue of a A$100m domestic 10-year note and the pricing of a US$100m issue.

Investors in the domestic issue, which is underwritten by Westpac and AMP, can choose fixed or floating rate notes. The final composition will be confirmed on the pricing date, which is expected to be around August 15. The US issue, co-led by Merrill Lynch and J.P. Morgan, was priced at 72 basis points over 10-year Treasuries and swapped back into Australian dollar fixed and floating-rate debt.

The issues, together with a A$800m five-year revolving credit facility agreed in May, complete Woolworths' debt restructure. *Elizabeth Robinson*

Blockbuster puts Viacom into the red

By Richard Tomkins in New York

Viacom, the US entertainment company suffering a poor performance from its Blockbuster video rental subsidiary, yesterday reported a net loss of $14m from continuing operations in the second quarter, compared with net earnings of $26m a year earlier.

However, the 8 cents a share loss was not as big as expected. Analysts had been predicting a loss of 14 cents a share, and the company's stock edged up $⅛ to $30½ in early trading. Last month Viacom warned problems at Blockbuster would result in a charge of about $300m to second-quarter earnings, mainly because of write-downs relating to the cost of surplus stock of video cassettes.

The company also upset investors when it warned that weak demand for video rentals in the US, prompted by increasing consumer preference for buying video tapes rather than renting them, was spreading overseas.

Viacom said yesterday the Blockbuster charge was actually $323m before tax, including the cost of closing underperforming stores in certain international markets. This charge was not included in the $14m loss from continuing operations.

Mr Sumner Redstone, chairman and chief executive, said Blockbuster's new management team, led by Mr John Antioco, was putting operational and marketing initiatives in place that were designed to refocus on the video rental business and increase its market share.

"We are optimistic that Blockbuster will enter a period of renewed growth next year," he said.

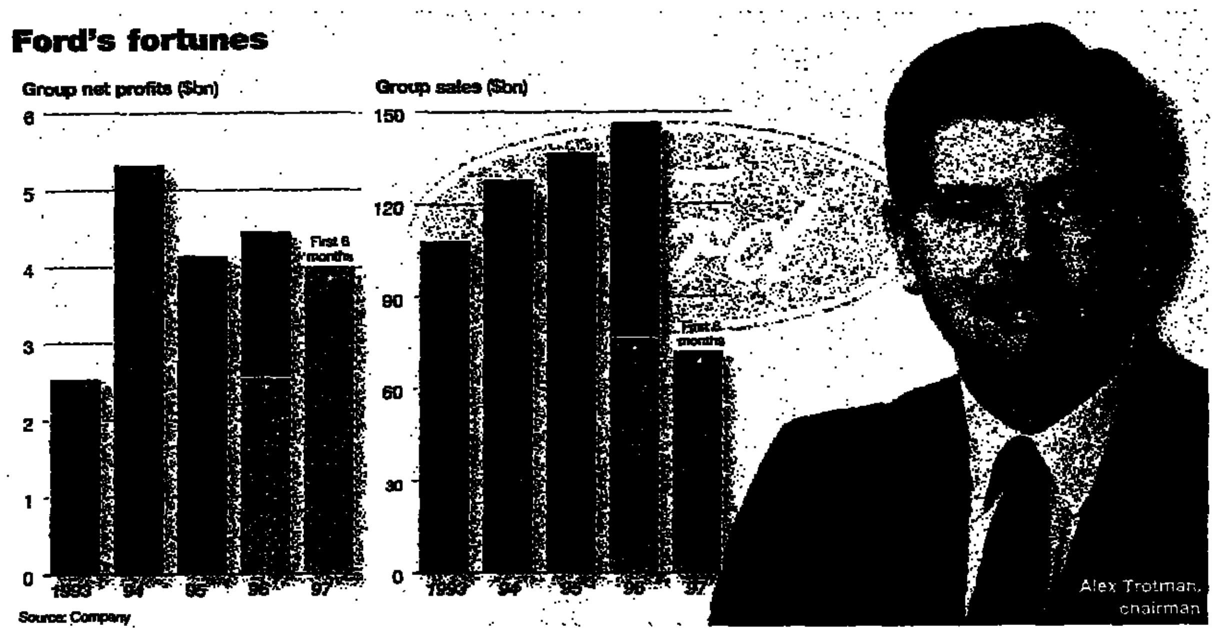
The video, music and theme parks division increased revenues by 8 per cent to $1.04bn, with new video stores more than offsetting a 2 per cent decline in same-store revenues world-wide. But after the Blockbuster charge, the division turned in losses of $179.3m before interest, tax, depreciation and amortisation, compared with profits of $167.7m a year earlier.

The best performance came from the group's networks and broadcasting division, which increased earnings before interest, tax, depreciation and amortisation by 19 per cent to $200.1m. The entertainment division, suffering a tough comparison with last year's boost from the hit film *Mission Impossible*, saw a 17 per cent fall to $94.9m.

The publishing division, which traditionally makes most of its money in the second half, saw a 6 per cent increase in earnings to $55.9m.

Restyled Ford back on track

Restructuring is paying off, says chairman Alex Trotman



Alex Trotman, chairman

Life has not been kind to Ford Motor for much of the 1990s. While Chrysler's shares climbed effortlessly and even General Motors sold its restructuring story successfully, America's second biggest carmaker has struggled to get its strategy across.

Suddenly, the mood has changed. Earnings in the first quarter of this year soared on the back of $800m in cost cuts. Second-quarter figures were as strong: net profits surged 33 per cent from $1.9bn to $2.5bn. Quicker than Steve McQueen's Mustang, analysts have decided that Mr Alex Trotman, Ford chairman, has a message.

"The second quarter was very nice ... people said it was nice because it was such a big number ... for us it was just another step on a very nice trail," Mr Trotman said in an interview with the Financial Times.

Ford's metamorphosis has been helped by the buoyant US car market, and Mr Trotman is confident the upturn will last. "GDP growth and low inflation will continue," he says. "With low unemployment and record consumer confidence, the basic conditions are there for more of the same."

Nevertheless, the company's recovery has been based principally on attractive new models and nothing short of a revolution in how it organises its business. New products, such as the Navigator and Expedition four-wheel drive vehicles, have boosted profits because of their higher margins.

By contrast, the axe has not spared less popular models, even those with famous names. "We've taken out Aspire, Thunderbird, Cougar, Probe and Aerostar. But we're not planning to drop any more in the foreseeable future," said Mr Trotman. "Maybe one or more will reappear. Some of those names are important properties for the company – Thunderbird, in particular."

Underlying everything has been Ford 2000, the restructuring process unveiled in 1993. Even once-sceptical analysts are admitting the scheme is producing results.

"A lot of people think [the aim of] Ford 2000 is to produce world cars. It isn't. It is to optimise resources and to have fewer platforms [basic engineering structures] if that satisfies the customer. We have cut the number of platforms by 50 per cent compared with three years ago, and by almost 50 per cent on engines and transmissions. But if the customer wants a different looking dress in Brazil than in Germany, we'll do that, but we'll do it with the least changes we can get away with."

The benefits have been striking in South America, where Ford's competitive edge was blunted by the dissolution in 1995 of its Autolatina joint venture with Volkswagen, of Germany. Since then, it has struggled to rebuild its position – especially in small cars.

Mr Trotman said Ford had bounced back by adapting established products, such as the eye-catching Ka "minicar" launched in Europe last year, to local conditions for minimum cost. The Ka and other new products have lifted Ford's sales by 70 per cent year-over-year in Brazil. "Our market share is up to between 14 per cent and 15 per cent, compared with a low of 8 per cent in the Autolatina days."

Similarly, the Indian-built Escort is essentially a lightly modified version of an established design, at a cost of "only a few million dollars." Much the same is being done to prepare the European Transit van for China. "Top management used to exhort us to find commonality. But you would find a hundred reasons why it wasn't quite right. By the time we'd finished, in a regionally structured company, we had numerous attempts to design common vehicles with common engines and not one of them worked."

Ford 2000 was Mr Trotman's attempt to overcome that. "We've accelerated our product development substantially in the last three years. We've lowered the cost of doing business. Productivity has moved on and quality has improved by every measure," he said.

But the task is not over. Europe is the biggest problem – Ford lost $291m in the region last year. "It's a very difficult environment," Mr Trotman said. "There is a large surplus of capacity. More is coming: Japanese and Koreans, and east European. If anything, the capacity situation is going to get worse.

"As you go through this year, you will see unsatisfactory profit levels from any direction you look in Europe. We'll improve our performance, but it certainly won't be satisfactory."

Ford has already tried to save money by pruning in the UK – its biggest and once most lucrative market in Europe. In January, it announced production cuts at its big Halewood plant. Many analysts predict the axe will fall on high-cost Germany next, but Mr Trotman seems sanguine. "Something seems to have been happening in Germany in the last few months. We made a deal with our labour force which was certainly in the right direction in terms of cutting variable costs, reducing overtime premiums and other work practice changes that makes us somewhat more competitive."

Group earnings should also continue to be flattered by gains from divesting non-core activities. Some analysts expect Mr Trotman to sell further tranches of both The Associates, a consumer finance group, and Hertz car rental.

Squeezing more value out of Ford's car components division will be a tougher job. The business, reorganised last November into Automotive Products Operations, is one of the world's biggest parts makers, with 80,000 employees and sales of $16bn.

However, the unit depends almost entirely on business from its parent. At next month's Frankfurt motor show in Germany, Ford will unveil a new identity for APO. The aim is to reduce its reliance on Ford from about 94 per cent of sales to 80 per cent.

Critics will complain Ford has been tardy in turning to the components side. But compared with its other problems, tidying up the parts bin came an understandable second to licking the vehicle itself into shape.

Richard Lambert and Haig Simonian

Endesa's deal with Enersis is vital for both power companies, say FT reporters

Timely double prize for Spanish power giant

By Tom Burns in Madrid

Endesa, the Spanish power group, has picked up a double prize with its plan to buy a big stake in Enersis, Chile's biggest electricity conglomerate. Bankers who got to know both companies during the long negotiations say Endesa acquired a lot more than a flagship business in Latin America's fast-expanding utility sector.

"Endesa has bought itself a valuable input to its corporate culture at just the right moment," said one banker. "The people who have made Enersis what it is are going to make their presence felt in Endesa, and that is all to the good."

The agreement between the two companies gives Endesa the right to bid for a 29.04 per cent stake in Enersis, currently held by its managers and workers in five investment companies known as the Chispas. The $1.2bn deal includes a call option that allows the bought-out Enersis shareholders to buy 5 per cent of Endesa from Sepi, the Spanish government agency which owns 66 per cent of the power group's equity. The purchase would make the Chileans Endesa's biggest single shareholders and give them two seats on its board.

As an Endesa director, Mr José Yuraszeck, Enersis chief executive and its charismatic founding father, has the opportunity to graft on to the Spanish power giant the lean and aggressive management style that fashioned Enersis into a corporate role model of Chile's plunge into the free market.

The timing is perfect – Endesa faces the dual challenge of the deregulation of the Spanish electricity sector and of its own privatisation.

Endesa was steered through the complex Enersis takeover by Santander Investment, the merchant banking arm of the big Spanish banking group, which has 3 per cent of Endesa's equity as well as considerable financial interests in Chile. The chief complication was the Chispas, created by Mr Yuraszeck and his managers to allow employees to invest during privatisation.

As financial advisers, Santander Investment realised early on that Mr Yuraszeck and his colleagues would only sell if they could buy into the Spanish power group and become involved in its future.

Mr Rodolfo Martin Villa, a former conservative politician who was appointed chairman of Endesa at the beginning of the year, recognised that Mr Yuraszeck needed to "belong" to the Spanish group. As a further measure of Endesa's confidence in Enersis, the Chilean company's management will stay in place and head Endesis, an Endesa-controlled strategic venture to acquire more Latin American assets.

Endesa executives believe Enersis' brand of dynamism can provide crucial insights for the power group as it diversifies into telecommunications and natural gas.

The Chilean presence in Endesa, via the investment company Euroluz, formed by former Chispa shareholders, provides the power group with a stable and industrially sophisticated partner with clear ideas about shareholder value. It is just the type of investor that Endesa wants to attract in its forthcoming privatisation.

A powerful match made in the spirit of growth

By Imogen Mark in Santiago

To grow or not to grow was the choice facing Enersis, Chile's biggest electricity conglomerate – and "not growing is not in the spirit of this company", according to Mr José Yuraszeck, chief executive.

Last Sunday, he and a handful of owner-executives signed the deal with Endesa which will ensure the group's continued expansion. "It gives Enersis a strong partner with deep pockets," said Ms Jane Winslow, head of research at HSBC James Capel in Santiago.

It will not, however, give Endesa control of the group. "If you want to talk about control," said Mr David Hurd, chief analyst at Merrill Lynch in Santiago, "it's not in the hands of Endesa. They will only have eventually two of seven seats on the board."

Enersis is a holding company which began life less than 10 years ago with one big asset – the recently-privatised Santiago distributor, Chilectra. It now has $10bn of assets under management in Chile, Argentina, Peru, Brazil and Colombia.

However, growth was limited by its ownership structure. A controlling stake – acquired partly in the initial privatisation and then in subsequent purchases – is held by its managers and workers in five investment companies, known as the Chispas.

Endesa is offering to buy the ordinary Series A shares by public tender at 220 pesos each, with a 40 peso premium for shares in the company owned by workers, estimated at about 60 per cent of all the Chispa shareholders. It is paying an estimated $500m for 100 per cent of the preferred series B shares owned by Mr Yuraszeck and 13 other executives, who will sell 51 per cent immediately and the remaining 49 per cent after five years. They have negotiated a five-year management contract for themselves and about 30 other executives.

The cornerstone of the deal is the continued presence of Mr Yuraszeck and his team. "They've done a good job with everything they've touched," said Ms Winslow. "I would be a lot more cautious ... if it had meant the management of Endesa were taking over."

The specific skill of the Enersis team is its ability to streamline and modernise the management of state-owned power companies. In particular it has become adept at cutting power losses from theft and bad maintenance, and at marketing and commercial strategies for both generating and distribution in the region's newly privatised and competitive markets.

Hence the Chileans with Mr Yuraszeck will head the new joint venture, Endesis, whose main objective is "jointly to participate in new privatisations and other investment opportunities in the energy sector in all the Americas with the temporary exception of the US and Canada". Endesa will hold 55 per cent and Enersis, 45 per cent.

The Chileans will also take an active part in the privatisation of Endesa. "We hope to help speed up the process of privatisation in the Spanish electricity companies," said Mr Yuraszeck.

"We will be the main private partner [in Endesa] and when the rest of it is privatised we shall have an important stake."

AMERICAS NEWS DIGEST

Growth fears hit Aetna stock

Shares in Aetna fell $12⅞ to $104⅛ in early Wall Street trading yesterday as the US health and life insurer announced second-quarter results in line with expectations, but admitted it was scaling back projections for growth in its health management organisation.

Attention focused on the company's health management business, as Aetna continues to consolidate last year's $8.9bn purchase of US Healthcare, the largest health management organisation in the US. Actual operating profits rose by 29 per cent compared with the performance of the two companies 12 months ago, once several exceptional items were excluded. Operating net income was $205.8m, or $1.27, exactly in line with the consensus projection of analysts polled by First Call.

But rising medical costs continued to be a problem, as the company admitted that higher costs for in-patients, physicians and pharmacies had only been partially slowed by its re-contracting efforts. As a result, operating profits for its health insurance business fell compared to the figure for a year earlier

Increases in commercial and Medicare medical costs exceeded the effect of higher premium rates, higher commercial membership and operating expense savings. Aetna also told analysts that it expected premium rates to grow by about 3 per cent for the year – less than some analysts had predicted.

The financial services arm continued to benefit from the exceptionally strong market for investment savings products. Aetna Retirement Services reported operating earnings of $56.5m, a 21 per cent rise on the $46.7m recorded a year earlier. Assets under management rose 23 per cent to $36.9bn.

John Authers, New York

■ CANADA

Alcan Aluminium settles dispute

Alcan Aluminium has signed a final settlement with the British Columbia government after a long dispute over environmental concerns that prevented the company from expanding operations in the province.

It agreed to build a new C$1.2bn (US$876m) aluminium smelter in Kitimat, subject to market conditions, and end its court action against the province, in which the company was claiming damages for the losses it incurred as a result of the government's decision to cancel Alcan's Kemano hydroelectric project.

The company launched a C$535m lawsuit after the provincial government cancelled the half-built project in 1995 over concern that it would damage the environment. The project would have provided power for a C$1.1bn expansion of Alcan's existing aluminium smelter at Kitimat.

Mr Jacques Bougie, Alcan president and chief executive, said the agreement would allow the company to protect its existing operations, preserve its ability to expand in BC, and recover some of the value of its Kemano investment. The new smelter could be operating as early as 2003 and no later than 2010, the company said.

Scott Morrison, Vancouver

■ INTERNET

Microsoft acquires VXtreme

Microsoft Corp yesterday said that it had acquired VXtreme, a Silicon Valley developer of technology for sending audio and video over the internet. Terms were not disclosed, although a source familiar with the deal put the value at $75m.

Microsoft said VXtreme's technology would be integrated into future versions of its NetShow and Site Server products. VXtreme, based in Sunnyvale, California, was founded last year by Stanford University computer scientists and funded by investors including Cisco Systems, Softbank of Japan and Informix Software.

Reuters, Seattle

■ BANKING

BankAmerica in debit card move

San Francisco-based BankAmerica, which runs the largest retail banking branch network in the US, yesterday announced it would cover all liability for debit cards, in an attempt to expand debit cards' share of the payments market. Debit cards are still relatively unpopular in the US compared with Europe, and the current industry standard is for customers to be liable for at least the first $50 of any fraudulent or unauthorised transactions made with their cards. Mr Gene Lockhart, who became president of BankAmerica's global retail bank earlier this year after a stint as chief executive of MasterCard, the bank association, said the step was an "unprecedented industry move". It intensifies the attempts by Visa and MasterCard issuers to establish debit cards on an equal footing with credit cards.

John Authers

■ VENEZUELA

Bank reserves tightened

Venezuela's central bank for the second time in less than one month has increased the legal reserve requirement for banks. These must now lodge 17 per cent, of their deposits with the central bank, an increase of 2 percentage points.

The move is to soak up excess monetary liquidity in the market, which has increased as a result of recent wage increases and large capital inflows. The central bank has repeatedly said it lacks adequate monetary policy instruments.

The central bank has also reduced the reference depreciation rate for its foreign exchange band from 1.32 per cent to 1.16 per cent per month. It said there has been a higher than average demand for foreign currency recently, which could reflect speculation in the market.

Although the currency has appreciated nearly 40 per cent in real terms during 1997 it has weakened slightly in recent weeks. International monetary reserves are at an all time high of $16.7bn. Both recent central bank measures are to help bring down inflation from 103 per cent last year to a target of 35 per cent this year.

Raymond Colitt, Caracas

■ PHARMACEUTICALS

Knoll agrees $135m settlement

Knoll Pharmaceutical has agreed in principle to pay up to $135m into a fund to settle a series of US class action lawsuits involving its thyroid medication, Synthroid.

In April, Knoll and its parent, BASF of Germany, were sued for $8.5bn for allegedly suppressing a medical study to control the US market for thyroid drugs.

The suit alleged that Knoll, BASF and Boots, the UK pharmacy chain, concealed a university study concluding that Synthroid, a synthetic version of the compound levothyroxine, was no better than cheaper, generic brands. The suit said Knoll, based in Mount Olive, New Jersey, controlled 84 per cent of the $600m-a-year levothyroxine market in the US.

Knoll said it would contribute $98m to the fund to cover payments to class-members, legal fees and related expenses. If there are more than 5m eligible claimants, Knoll said it would contribute additional payments up to maximum of $135m.

Knoll said "the settlement in no way implies or acknowledges any wrongdoing" and added that the court had not ruled on the merits of the claims. It added that the proposed settlement remained subject to a definitive agreement and court approval.

Reuters, Mount Olive

[redacted]

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Morgan Stanley Dean Witter is a service mark of Morgan Stanley, Dean Witter, Discover & Co.

All of these securities having been sold, this announcement appears as a matter of record only.

U.S. $901,543,650

GALILEO
INTERNATIONAL ™

36,797,700 Shares

Common Stock

9,599,400 Shares

This portion of the offering was offered outside the United States and Canada by the undersigned.

MORGAN STANLEY DEAN WITTER

ABN AMRO ROTHSCHILD

SBC WARBURG
A Division of Swiss Bank Corporation

HSBC INVESTMENT BANKING

LEHMAN BROTHERS

MERRILL LYNCH INTERNATIONAL

J.P. MORGAN SECURITIES LTD.

CAZENOVE & CO. CREDIT LYONNAIS SECURITIES CREDITO ITALIANO DAIWA EUROPE LIMITED SOCIETE GENERALE WESTDEUTSCHE LANDESBANK GIROZENTRALE

27,198,300 Shares

This portion of the offering was offered in the United States and Canada by the undersigned.

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August 1997

Interim pre-tax profits of £669m despite losses in its investment banking activities

NatWest promises independent future

By George Graham, Banking Correspondent

National Westminster Bank yesterday promised a "strong, independent future," rejecting suggestions that it needed to merge with a stronger financial company.

So far this year NatWest has seen its approaches to the Abbey National banking group rebuffed, and has itself spurned a proposal from Prudential Corp, the UK insurer. But Lord Alexander, chairman, said those "exploratory talks" had confirmed NatWest's management in its determination to go it alone.

"There is a world of difference between taking a view that you need a merger, which we don't, and examining opportunities. We do not need a partner," he said, as the group reported a profit of £775m from continuing operations in the six months to June 30.

The turmoil surrounding NatWest in recent weeks prompted the bank to invite about 2,000 managers to the International Conference Centre in Birmingham to present the results and attempt to calm staff worries about its future.

Mr Derek Wanless, chief executive, said NatWest, which had expressed interest in buying an insurance company or a building society, now planned no significant acquisitions. It would, however, be interested in smaller deals such as TSB Ireland, should it become available.

Group profit before tax totalled £669m after a £106m adjustment for the effects of the Budget on its leasing business. This was offset by a reduced tax charge, leaving attributable profits of £488m compared with losses of £111m a year earlier, when NatWest took a book loss on the sale of its US retail banking subsidiary.

NatWest's investment banking division sank into a pre-tax loss of £22m, partly because of the £77m net loss from the mispricing of interest rate options discovered earlier this year. The bank announced on Friday that it was moving treasury operations, which made pre-tax profits of £169m in the first half, into a separate unit, leaving an equities, debt and advisory business whose pre-tax losses totalled £191m.

Mr Wanless insisted that split was not intended to make the investment bank easier to sell off.

"It is not ring-fenced for a sale. It is ring-fenced because the businesses that are there make sense together," he said.

Mr Wanless said NatWest's 13.4 per cent return on equity in the first half was "clearly inadequate," and he was determined to achieve the group's long-term target of 17.5 per cent in 1998.

Although NatWest's UK retail bank increased its market share in areas such as payment cards and small and medium business banking, its relatively weak profitability has been placed in unflattering relief by the exceptionally strong performances of rivals Lloyds TSB and Midland Bank which have both reported their interim results in the past few days.

The shares fell 35p to 835p.

Brendan Corr

Derek Wanless (left) and Lord Alexander: return on equity is 'clearly inadequate'

London casino bid ruled out

By Scheherazade Daneshkhu and Stefan Wagstyl

A bid to create London's largest up-market casino company was blocked by the government yesterday on the grounds that it would not be in the interests of competition.

The department of trade and industry accepted the recommendation of the Monopolies and Mergers Commission to stop London Clubs International from renewing its bid for Capital Corporation, its smaller casino rival.

London Clubs made an initial £192m ($313m) hostile bid in February, which lapsed in April after the MMC referral.

Shares in both companies fell sharply yesterday with Capital down 10 per cent and London Clubs off 4 per cent. Capital, which operates Crockfords and the Colony Club, fell 19p to 165p; London Clubs closed 16p down at 386½p.

Mrs Margaret Beckett, trade and industry secretary, said the merger would have given London Clubs 79 per cent of the upper end of the London market, leaving customers with "inadequate protection" against the possibility of raised charges or a reduction services.

"Competition would be substantially reduced, customers' choice of casino operator would be restricted and the level of innovation undertaken would suffer," she said. She added that there were no undertakings which London Clubs could give, even the sale of one or two casinos, which would compensate for the loss of its main competitor.

London Clubs, which operates seven of London's 21 casinos, including the Ritz and Les Ambassadeurs, argued that the UK public interest was not at risk because most players were from overseas and the Gaming Board's regulation of the odds at the tables made price issues irrelevant.

Mr Alan Goodenough, chief executive of London Clubs, called the decision "disappointing and illogical", but said the decision had vindicated its strategy of diversifying overseas, with operations in Beirut, Egypt and Las Vegas.

Mrs Beckett's decision fits with her stated policy of using her authority to promote competition as the best way of advancing the interests of consumers. The verdict also fits with her decision to oppose the plans of Bass to buy rival brewer Carlsberg-Tetley, also based on a view that the combined companies would have too big a market share.

Mr Alan Hearn, chief executive, of Capital, said the group was likely to take the Crockfords brand into mainland Europe.

Ladbroke, which has four London casinos and is applying for a fifth licence, would not comment on whether it would bid for Capital.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BAA	3 mths to June 30	367	(347)	136	(130)	0.3§§	(9.5)	-	-	-	-	12.4
Benfield & Rea	16½ mths to Mar 31	83.7■	(-)	8.58	(-)	6.6	(-)	2.7	Oct 2	-	4	-
BP	6 mths to June 30	22,767	(20,896)	1,165‡	(1,332‡♠)	20.5	(23.8)	5.5‡‡	Nov 3	5	-	19.5
Cantab Pharms	6 mths to June 30	6.04	(0.025)	1.97	(3.7L)	0.12†	(0.34L)	-	-	-	-	-
Chieftain	6 mths to June 30	15.3	(6.3)	0.658	(0.208)	5.23	(2.43)	1.4	Oct 10	1	-	2
Enterprise Φ	6 mths to Apr 30	9.5	(9.86)	0.736L♠	(1.36)	6.2L	(5.3)	1.5	Sept 5	1.5	-	4.4
Hemingway Prop	6 mths to June 30	10.65♦	(10.98♦)	5.4	(2.26)	1.9	(1.05)	0.18	Nov 7	0.165	-	0.55
Inspec	6 mths to June 30	196.4	(119.2)	24.7	(15.7)	11.62	(9.91)	2.25	Nov 5	2.1	-	6.3
Mayflower	6 mths to June 30	191.5	(140.7)	16.1	(10.2)	4.84†	(3.25)	0.92	Nov 14	0.75	-	2.25
Nash (William) Φ	6 mths to June 30	4.62	(4.59)	1.66	(1.52)	13.79	(12.67)	2.7	Sept 22	2.6	-	7.5
NatWest	6 mths to June 30	-	(-)	669♠	(302♠)	28.5	(6.3L)	10.6	Oct 8	9.6	-	29
Willis Corroon	6 mths to June 30	356.9□	(386.8□)	60.2	(70.6)	8	(10.7)	1.65#	Oct 1	1.65	-	6.6
UDO	Yr to July 31	-	(-)	-	(-)	-	(-)	7.75	Dec 12	7.75	10.5	10.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
TR Pacific	6 mths to June 30	123	(118.3)	0.847	(0.835)	0.428	(0.559)	-	-	-	-	0.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. §§After estimated windfall tax of £102m. ■Net premiums written. ‡After tax. ‡‡Second interim; makes 10.75p to date. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ♦Gross rental income. □Operating revenue. #Third interim; makes 4.95p to date.

Zeneca finance director to move to GEC

By Stefan Wagstyl and Daniel Green

Mr John Mayo, 41-year-old finance director of Zeneca, the pharmaceuticals group, was yesterday named as finance director of the General Electric Company.

He will start on October 1, with a brief to help Mr George Simpson, managing director, restructure GEC and slim its complex portfolio of joint ventures into a more coherent whole.

The news was welcomed in the City, where GEC shares closed up 17½p at 361½p.

Mr Mayo's appointment ends a search which began more than a month ago after the resignation of Mr David Newlands, who served for eight years. Mr Newlands worked closely with Lord Weinstock, the long-standing managing director who retired last year.

Mr Mayo trained as an accountant at Arthur Andersen and then moved to the City to take a post in corporate finance at SG Warburg, now SBC Warburg, the investment bank.

At 24 hours' notice, he took up a six-month secondment to ICI to help the chemicals company fend off the threat of a possible takeover bid from Hanson, the acquisitive conglomerate. Working as personal adviser to Sir Denys Henderson, the ICI chairman, Mr Mayo recommended the strategy which led to the demerger of Zeneca from ICI.

Appointed Zeneca's finance director, he was involved in developing the company as a leading pharmaceuticals manufacturer.

In the City and in industry, his strength is seen as his ability to shake up an old-established British company while dealing fairly with people.

Mr Mayo said he was attracted to GEC by the intellectual challenge involved in dealing with such a complex company and the potential to create value. "When I went to ICI, it's market capitalisation was £6.6bn. The market capitalisation of ICI and Zeneca is now about £27bn. If you look at GEC, it's more complicated than ICI but not dissimilar."

His replacement at Zeneca is Mr Jonathan Symonds, 38, chairman of the global pharmaceuticals group at accountant KPMG.

Willis Corroon link with Abbey Nat

By Charis Gresser

Willis Corroon, the insurance broker, announced a merger yesterday of its independent financial adviser business with Abbey National, as it reported a 12 per cent fall in interim profits, before tax and last year's exceptional gain, to £60.2m ($98m).

The company blamed the results on the strength of sterling and "continuing acute pressures" in its operating environment. The appreciation in the pound hit the results to the tune of £6.6m. Pre-tax profits were £60.2m (£70.6m).

The continuing slide in premium rates has been hardest in the US, where revenues in both the retail and wholesale market fell.

Mr Ken Pinkston, director for US businesses said "revenues were not as strong as we had hoped, but we have expenses under control. The market is very difficult and we do not see an improvement in the near term."

The group's brokerage and fee revenue from continuing operations, excluding acquisitions and disposals, was an unchanged £335.6m.

There was strong growth from the company's international revenues, excluding the US, up 44 per cent to £23m, and in the UK, retail revenues increased 3 per cent to £56.3m.

Regarding the IFA venture, Willis Corroon said it will own 51 per cent of the new operation, which would rank as the second largest IFA in the UK with 200 consultants.

Willis Corroon is putting £2.2m into the business, which will have initial revenues of some £24m.

NEWS DIGEST

Diversification for Mayflower

Mayflower, the engineering group which designs and manufactures car bodies, has begun to diversify into aircraft design.

Mr John Simpson, chief executive, said the company was doing some design work on the tail sections for the Nimrod and Eurofighter aircraft. The contract, worth about £10m ($16.3m) this year, was financially insignificant, but Mr Simpson said the management was taking a close interest in the project, so as to assess the future potential for development.

His comments came as Mayflower yesterday revealed a 58 per cent jump in interim pre-tax profits to £16.1m for the six months to June 30, following the £101.2m acquisition of South Charleston Stamping & Manufacturing (SCSM) of the US last year. The acquisition, which Mayflower said had now been integrated with MVS, its other US operation, contributed about £49m to group turnover, which rose 36 per cent to £191.5m (£140.7m).

Margins were expected to improve in the second half, following restructuring of the US operations and the reorganisation of Walter Alexander, the bus building division, which has seen its Belfast plant reorganised.

Roger Taylor

BAA makes £102m provision

BAA has made a provision of £102m ($166.3m) to pay for the government's windfall tax on privatised utilities, although the airports group said yesterday that the exact amount due would depend on a final agreement with the Inland Revenue. BAA said the figure was at the top end of its expectations. The group had estimated liability at between £70m-£100m.

BAA announced first-quarter pre-tax profits of £136m, up 4.5 per cent, before taking into account the provision. Profits for the three months to June 30 were depressed by £8m by the effect of rephasing traffic charges. This is part of a four-year programme, agreed with airlines, of phasing out the differential between peak and off-peak passenger charges.

Profits were further reduced by £3m after its decision, announced in April, to stop capitalising interest on work on Terminal Five at London's Heathrow airport until the project had received planning permission, as well as government approval.

The group's airports handled 26.5m passengers in the quarter, an increase of 7.8 per cent over the same period last year. The figures did not include the effects of the British Airways' cabin crew strike, which took place last month.

Michael Skapinker

BTR in $60m US purchase

BTR, the industrial conglomerate, has acquired valve actuator Limitorque from the American Manufacturing Corporation for $60m cash.

Limitorque – which has sales of $76m and 60 per cent of the US market for multi-turn electric valve actuators – used to supply BTR with actuators. BTR said Limitorque would join its process control group, which produces valves, batteries and meters for industry.

Mr Ian Strachan, chief executive, said: "The acquisition is the latest in a number of strategic purchases made to extend our product offering and geographic range in areas where we expect to see high growth."

BTR, which is refocusing on core activities, has purchased companies with sales of more than £350m so far this year.

Robert Anderson

BBA makes German buy

BBA, the diversified engineering company, has agreed to buy a German manufacturer of railway friction materials, for up to DM84.4m ($45.8m). BBA is the European market leader in car brake pads, but has been looking to broaden its friction business. It has only had a small railway friction operation, also based in Germany, while Becorit Gesellschaft Wilhelm Beckmann has a quarter of the European market for such materials.

The acquisition will be paid in cash from existing resources. For 1996, Becorit made pre-tax profits of DM14.7m and had net assets of DM12.3m. BBA shares rose 10p to 358p.

Robert Anderson

Ashanti falls 42% in quarter

Ashanti Goldfields of Ghana yesterday reported a 42 per cent drop in second quarter profit before tax, but insisted it was on track to meet its 1997 production and cost forecasts.

Pre-tax profit for the three months to June 30 fell from $13.5m to $7.9m. There was a $2.5m exceptional charge for a voluntary severance programme that reduced the workforce at Ashanti's biggest mine, Obuasi in Ghana, by 800 or 8 per cent. There will be a further $600,000 charge in the third quarter. Ashanti estimated these costs would be paid back in 18 months. In the first half the group's pre-tax profit was down by 38 per cent to $24.1m.

Analysts are forecasting that full-year profits will be in a range between $40m and $50m – against $60.1m in 1996 – which Mr Mark Keatley, finance director, said was in line with the group's own expectations.

Turnover for the quarter rose from $122.6m to $128.3m and operating cash flow increased from $34.7m to $38.3m. Earnings fell from 15 cents a share to 7 cents. The interim dividend is held at 12.5 cents.

Kenneth Gooding

HSBC buys Harwich port

HSBC Holding, a unit of HSBC investment banking, is buying the Harwich International port for £72m ($117m) from the shipping group Stena Line.

HSBC director, Mr Nigel Hammond, said the business would be "eminently floatable" in the medium term, but added that HSBC hoped to use Harwich for acquisitions before then. Talks on these could start shortly, he said. HSBC envisages that Harwich, on the Essex coast, will double in size and would be able to make acquisitions through increased earnings.

Stena will book a SKr150m (£11.45m) capital gain from the disposal, which it said would strengthen its cash reserves by around SKr575m.

Charis Gresser

Billiton merger terms revised

Terms of the proposed merger between the nickel interests of Billiton, the mining and metals group recently listed in London, and QNI of Australia, have been revised in the face of QNI shareholder opposition.

QNI will issue a reduced number of shares to give Billiton 52.5 per cent of the Australian company rather than the 55 per cent envisaged when the deal was first mooted in June. Also, the planned capital return to existing QNI shareholders is raised from 28 cents to 30 cents. Analysts suggested this would be enough to gain grudging shareholder approval at a meeting to be held in September. QNI shares closed 10 cents lower at A$2.40 109p ($1.77) yesterday, valuing the 455.8m shares to be issued to Billiton at A$1.09bn, in the lower half of the A$1bn to A$1.21bn valuation range placed on Billiton's nickel assets by independent valuer Grant Samuel.

Kenneth Gooding

Bakyrchik hopes to join Aim

Bakyrchik Gold, which will lose its full London listing if a refinancing package is approved, hopes to transfer to Aim. If shareholders give approval, Nabarro Wells will act as Bakyrchik's nominated adviser and T Hoare, its nominated broker.

TECHNOLOGY

Right climate for change

Sponsored reforestation may the best way to combat fuel emissions, writes Caspar Henderson

Concern that burning fossil fuels could increase levels of carbon dioxide (CO_2) in the atmosphere, causing damaging climate change, has prompted years of wrangling among the world's politicians, scientists and environmentalists. But it has seldom been regarded as a business opportunity.

Now, three enterprises are promoting "carbon sequestration" schemes as a way for ordinary consumers to assert themselves as responsible global citizens.

The Carbon Storage Trust, Future Forests and the International Federation for Carbon Sequestration turn on a principle that is beguilingly simple. As plants grow, they absorb carbon dioxide from the air and release oxygen, retaining or sequestering carbon as a main building block of their structure and around half their mass.

Trees do this most impressively; a mature oak, for example, can contain about three tonnes of carbon. So, say the three, planting more trees can be a direct and effective way to offset carbon emissions from human activity.

The schemes will work by raising money from the public and using it for reforestation. They are to be run on business principles, but will aim to support long-term, sustainable forestry rather than maximise profitability.

All three are convinced there is a substantial unmet demand. Mike Mason, director of the Carbon Storage Trust, based in Oxford in the UK, says its research indicates that 25 per cent of British natural gas consumers "would definitely pay" and 57 per cent "would probably pay" an additional £6.25 for a Climate Friendly Warranty on their quarterly bill, while only 2 per cent would "definitely not pay".

Dan Morrell of Future Forests, based at Castle Cary in Somerset in the UK, agrees. With customers paying £3 per tree, he expects sufficient funds to plant 500,000 trees in the UK this winter, and 2m every year thereafter.

The International Fund for Carbon Sequestration, created by the Paris-based International Automobile Federation (FIA), is building what it hopes will be a credible foundation through its involvement in a demonstration "blue chip" sustainable forestry project managed by an Edinburgh University team in the Mexican State of Chiapas. This year the FIA, which is the governing body for world motor sport, will contribute about $50,000 to the Chiapas project, which will provide enough forest cover to "offset" carbon emissions from this summer's Formula One races.

However, while strongly supported by the public, carbon sequestration schemes face challenges. Areas of scientific uncertainty remain, such as the behaviour of forests under climate change, but the most immediate issues are political and economic.

One uncertainty is the outcome of negotiations at the third conference of the parties to the Climate Change Convention, which will be held in Kyoto this December. European nations may call for an absolute limit on carbon emissions from the main rich industrial nations.

The US is more reluctant and would probably agree only if provision were made for these countries to "trade" carbon emissions with industrialising countries such as China and India. If the Kyoto negotiations result in some form of carbon market as the US envisages it, large scale sequestration projects could prove attractive.

But critics fear the US approach could encourage sequestration as an alternative to policies to reduce emissions.

Environmentalists will also ask whether it would not be wiser to strengthen efforts to slow and halt the deforestation already taking place (estimated to contribute as much as a fifth of global carbon emissions) than to plant new forests. And, at around 1,600 sq miles for 20 years worth of emissions from just one modern 2,000MW gas power station, the sheer amount of land required in perpetuity (or at least until human emissions of CO_2 start to decline) also worries some critics of the schemes.

Emission statement: deforestation in the Amazon Photograph Panos Pictures

Nevertheless, "it's easy to see there's a vast shortage of funding for good forestry projects [worldwide]," says David Ward, the FIA's director-general. At the very least, he argues, a buoyant market in carbon sequestration can help meet this need, even if sequestration is not seen as the primary aim of afforestation.

In the UK, according to Morrell at Future Forests, there is near universal agreement on the desirability of new broadleaf forest land.

"Even if we were to plant 6m trees a year from now until 2037, Britain's [broadleaf] forest cover would only be back up to the level it was [early this century]," he says.

Future Forests, which is a non-profit making company with charitable status, will negotiate "very competitive prices for planting", says Morrell. He hopes to leverage each pound raised with one from existing government commitments and another from the National Lottery.

Future Forests has formed links with large British trade unions who may promote the scheme to their members. All three carbon sequestration groups promise a high level independent panel of environmental experts to review their work.

The Carbon Storage Trust, which has now been endorsed by Sir Jonathon Porritt, the leading UK environmentalist, is looking beyond Britain towards the potential for sequestration on hundreds of millions of hectares in the world's poorer countries. It has sought to weigh up the impacts of large scale sequestration and to account for risks such as uncertain political and legal regimes and natural hazards.

Mason cautions: "It is easy to plant more trees. Demonstrating that they truly represent an increase in carbon storage, and that they will endure in the future when the world has twice as many people, all richer and demanding more food, is a different matter."

He believes that the cost of doing it properly is much higher than most practitioners believe, but that unless it is done properly the environmentalist movement will never support it. "Without that support" he says, "the consumer market and the companies that supply it will be, quite properly, reluctant to buy the product."

Heavy metal goes underground

A chemicals company has invented a process for trapping heavy metal pollutants such as lead and mercury, which it claims will substantially reduce emissions and waste disposal costs for iron foundries and other companies running furnaces.

But the new method of heavy metal waste disposal, devised by US-based Air Products, is viewed as retrograde by the UK Environment Agency, which favours re-use or recycling of wastes.

The patented process, known as dust injection, will make its UK debut within weeks at an unnamed iron foundry. "It has been in operation in Germany for three-and-a-half years but it has been three-and-a-half years of tinkering," says Paul Hoogeveen, marketing manager for Air Products.

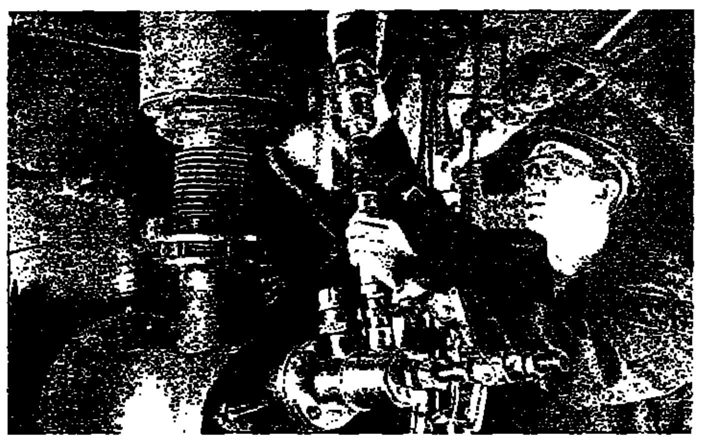
"It has taken quite a lot of work to progress from the basic idea to something that functions well and reliably. Now we have something we are confident we can show the benefits to other foundries." Air Products is also looking to interest owners of blast furnaces used prior to the steelmaking process.

Burning coal produces heavy metals, which cling to waste dust. The concentration of lead in worldwide coals, for instance, varies from 10 to 270 parts per million, according to research by the National Alliance for Cleaner Kilns, a UK pressure group.

The principle of dust injection is simple. The dust from the reheating of steel is re-injected into the furnace, where the heavy metals melt and mix with the slag. As the slag cools it solidifies and entombs the metals.

The technique, known as vitrification, has been used in the past to dispose of radioactive waste and asbestos.

The vitrified product is not easily broken down but can be eroded.



Blast off: a technician adjusts a gas burner on the furnace

Hoogeveen says there is no risk of the metal leaching out of the slag. "The slag is vitrified and rendered harmless," he says.

"You can landfill it or even sell it to road construction companies as a road gritting material."

Heavy metals can cause chronic nerve damage because many resemble essential minerals. The gut readily absorbs thallium ions, for instance, because they are similar in structure to potassium ions, which are involved in the conduction of nerve impulses.

The change to human nervous system function can be devastating. The effect of mercury poisoning on hat-makers who used the metal to weigh down the brims was so alarming that it spawned the phrase "as mad as a hatter".

But regulators have only recently begun to make serious efforts to discourage companies from sending metal-contaminated waste to landfill.

In the UK, waste containing heavy metals must be disposed of at specially licensed sites which are either naturally or artificially insulated to prevent leaching of the metals into groundwater. These are often more expensive to use because of the extra work done to make them suitable.

A draft European Union groundwater directive could lead to a further tightening of the rules. It says the most toxic waste substances, which include cadmium and mercury, should not be landfilled.

If the directive is approved and were to lead to a reduction in the number of landfill sites available to accept such material, industry would have to find different ways of disposing of it, says the UK's Environment Agency.

But it says the long-term effect of dust injection might be to encourage industry to continue dumping these materials rather than to try to re-use them. Also, while the application of the technology was "welcome" developing technologies that reduce the amount of heavy metals produced in the first place should not be forgotten.

In the UK, all industries have been searching for alternative waste disposal routes since the introduction last year of the landfill tax, which is levied at £2 or £7 per tonne, depending on the type of waste.

The production of vitrified materials is doubly beneficial for companies: they can avoid sending the waste to landfill and sell the waste to the construction industry.

But Michael Warhurst, campaigner on industry and pollution for Friends of the Earth, the environmental pressure group, thinks it impossible to predict whether or not vitrified material will leak at some point in the future.

"The main problem with anything that is claiming to be entrapping metals is the extent to which it leaches out under different conditions such as acidic conditions," says Warhurst.

He says it ought to be possible to recycle heavy metals from industrial processes.

Michael Peel

INTERNATIONAL CAPITAL MARKETS

Europe sags on interest rate fears

GOVERNMENT BONDS

By Vincent Boland and Caroline Pfeiffer in London and John Labate in New York

European bond markets sagged yesterday as the continued weakness of the D-Mark, combined with a fairly gloomy economic assessment from the Ifo research institute on Germany's economic prospects, raised the spectre of higher interest rates.

In the absence of trend-setting domestic factors, other markets fell in sympathy with bunds – with high yielders suffering the most.

GERMAN BUNDS fell sharply after the Ifo warned that the federal budget deficit could reach 3.3 per cent of gross domestic product this year because of high unemployment. It also said that the Bundesbank might have to tighten monetary policy to protect the D-Mark and reduce inflationary pressures, should the dollar appreciate more.

"I could imagine that a dollar above DM1.90 would set alarm bells ringing in Frankfurt," said Mr Willi Leibfritz, an Ifo economist. The Ifo report, along with reported comments from Mr Otmar Issing, chief economist at the Bundesbank, that import prices were "heading in the wrong direction" gave bund investors the jitters.

Mr David Brickman, European economist at Yamaichi International in London, said that if prices were rising, "one has to think the Bundesbank will act on interest rates, and if they do not act, that they are concerned about them". But he added that German manufacturing data yesterday, which showed domestic orders expanding by only 1 per cent, was a strong argument against higher rates.

"The only argument for raising interest rates is the currency," he said.

Though some analysts viewed Mr Issing's comments as "hawkish", they said they did not signal any immediate change and that the central bank had several options, including a change in the repo rate.

Nevertheless, the speculation left the September bund futures contract 44 basis points lower at 101.71 at the settlement.

"There hasn't been much selling but people are not willing to buy at these levels. The risks are skewed to the downside," said Mr Heinz Gunasekera, bund analyst at UBS.

UK GILTS marginally outperformed bunds, but analysts said investors in London also had their eye on this week's meeting of the Bank of England's monetary policy committee, which sets interest rates.

UK industrial production data showed underlying growth of only 0.4 per cent excluding energy output. "That is not the sort of background against which one would expect to see a rise in interest rates," Mr Brickman said, adding that the MPC may decide to hold off any rise until September.

The September futures contract fell 3/8 to 114 5/32.

The spread of ITALIAN BTPs over bunds widened again, touching 105 points at one time before narrowing slightly to 104 points. Domestic political factors continue to weigh on the market, and nervousness creeping in from Germany exacerbates that, analysts said.

The September futures contract settled 75 points lower at 135.15

US TREASURIES fell slightly in the morning following two days of selling and price declines. By midday the benchmark 30-year bond had lost 5/8 to 101 19/32, yielding 6.481 per cent.

Among shorter-term issues, the two-year note fell 1/8 to 99 29/32, yielding 5.908 per cent, while the 10-year note also lost 1/4 to 102⅝, yielding 6.218 per cent.

Analysts continued to reflect on last Friday's steep Treasury sell-off, which set off the market's current downward momentum.

"The employment and purchasing managers price data called into question not that inflation might be rearing its ugly head, which is still too early to tell, but the pace of third-quarter growth," said Mr Kevin Flanagan, economist at Dean Witter Securities in New York.

Last week's reports suggested economic growth was stronger at the start of the new quarter than many had expected, he added.

The release of leading indicators by the Conference Board made little impact on trading, with the index remaining unchanged for June. In a slow week for economic news, the overriding event is the auction of $38bn in new issues, which began yesterday afternoon.

Bondholders in Alphatec weigh default

By Ted Bardacke in Bangkok

Holders of Alphatec Electronic's $45m eurobond meet today in Zurich to decide whether to put the company, Thailand's leading exporter of computer chips, into default on nearly $450m of domestic and foreign debt that is overdue.

It was revealed last week that at least Bt10bn ($315m) in "improper transactions" had taken place at the company. Mr Charn Uswachoke, Alphatec's founder and chief executive, and Mr Leslie Merszei, chief financial officer, both resigned.

There have also been allegations of a conflict of interest among board members who are also creditors, and bondholders may be tempted to ignore the company's expected request to delay their vote until after a full financial restructuring plan can be put in place.

But bankers and lawyers claim putting the company into default could mean Thai creditors, who are secured, take full control, leaving bondholders and other foreign creditors with nothing.

Some foreign creditors suggest Thai banks may be obstructing a financial rehabilitation plan in the hope that foreign creditors will bail out – a move that would echo the 1994 takeover by Thai banks of a disputed highway project from its Japanese construction company and a consortium of Japanese, European and US banks.

"Thai banks would love nothing more than for the bondholders to do them a favour," said a banker involved in the negotiations. "For foreign creditors, it would be the equivalent of throwing in the towel."

Foreign bankers say that as a going concern, Alphatec Electronics is still worth a great deal. It has a proven track record of fulfilling the requirements of its customers, such as Texas Instruments and Cypress Semiconductor. However, its assets are worth little without the technical skills of current management, which aside from the financial team is made up largely of western computer industry veterans.

For that reason, foreign creditors have been willing to work with Alphatec management to restore the financial health of the company. But analysts believe the Thai banks, led by state-owned Krung Thai Bank, know little about the high-tech industry and are caught in personality conflicts.

"They are afraid of doing anything with current management and the high-tech nature of the company makes them wary," said a banking analyst at a foreign brokerage house. "They never understood the issues and Mr Charn could have told them anything. Now they feel they were duped."

Krung Thai Bank has also been trying to assert its independence from the Thai government. The bank's president, Mr Sirin Nimmanahaeminda, is the brother of opposition leader Mr Tarin Nimmanahaeminda. Krung Thai's refusal to extend emergency funding to Alphatec last month upset the government, which wanted to save the company for political reasons.

Asset-backed issue by Welcome Break

INTERNATIONAL BONDS

By Samer Iskandar and Krishna Guha

Welcome Break, the UK's second largest operator of motorway service areas, yesterday launched £321m of asset-backed securities.

Investors were offered four tranches of bonds, with fixed or floating-rate coupons and maturities ranging from 10 years to 20 years.

The deal was oversubscribed, according to BZW, senior co-lead alongside the lead managers Bankers Trust and Chase Manhattan. "This demonstrates the flexibility offered by the sterling market for LBO re-financing," BZW said.

The proceeds will refinance part of the £476m bank loan taken out in March to fund the purchase of Welcome Break by Investcorp, a Bahrain-based investment bank. The remaining £55m was raised through bank loans from Bankers Trust, Barclays Bank and National Westminster Bank.

"We have taken advantage of excellent market conditions and the strong financial performance of Welcome Break to refinance the original bank loans," said Mr Richard Warner, from Investcorp's management committee. "This structure will prove cost-effective while providing significant additional debt for the group to expand."

The bonds were awarded equivalent ratings of A and BBB from Standard&Poor's and DCR. The ratings were obtained by way of a credit enhancement, mainly through the allocation of added collateral to three of the four tranches. The collateral consists of the issuer's property portfolio and cash-flow from operations.

GSS – Guangzhou Shenzen Superhighway – which operates a toll road between the two south China cities, made its debut with a $600m offering sold in the US under Rule 144a of the Securities and Exchange Commission – which allows lead managers to offer bonds to qualified institutional investors.

Morgan Stanley Dean Witter, the lead manager, priced a $200m tranche to yield 375 basis points over seven-year Treasuries, and $400m of notes to yield 412.5 points over 10-year Treasuries.

The issuer, a subsidiary of Hopewell's Delta roads business, owns 50 per cent of the toll road. The proceeds will be used to repay a syndicated loan and fund further construction work.

Delta and Hopewell provide complex partial guarantees, which cover interest payments during the first four years, when cash flow from GS-Superhighway will be used to amortise the outstanding loan. The issue is rated Ba3 and BB respectively by Moody's and S&P.

Morgan Stanley said investor demand demonstrated the high yield market was in "very good shape", in spite of heavy supply in the US.

SANWA BANK re-entered the market with a $200m five-year floating-rate issue priced to yield 25 basis points over Libor. This spread, relatively wide for an Aa3 rated issuer, reflects on-going concern about Japanese bank credit.

Sanwa International, joint lead with Merrill Lynch, said Sanwa was the first Japanese bank to re-enter the market. Investors who had been "very shy" about Japanese bank paper were now prepared to invest, it added.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Sanwa Business Credit Crp‡	200	(a)	99.78R	Aug 2002	0.175R	-	Merrill/Sanwa Intl
STERLING							
WBF, Class A1(b1)‡	42	(b2,l)	100.00R	Jun 2007	0.3427R	-	Bankers Tst/Chase
WBF, Class A2(b3)‡	85	(b4,l)	100.00R	Mar 2011	0.3427R	-	Bankers Tst/Chase
WBF, Class A3(b5,l)	127	7.95	100.00R	Sep 2015	0.3427R	-	Bankers Tst/Chase
WBF, Class B1(b6,l)	67	8.284	100.00R	Sep 2017	0.3427R	-	Bankers Tst/Chase
AUSTRALIAN DOLLARS							
State Bank of NSW(s)	100	5.75	100.715	Dec 2001	1.75	-	Deutsche Morgan Grenfell
NEW ZEALAND DOLLARS							
World Bank	600	zero	51.40R	Aug 2007	0.25R	+5(l)	TD Securities
DRACHMA							
International Finance Corp‡	27.5bn	(c)	100.00R	Aug 2002	0.20R	-	Barclays Athens
Ford Credit Europe(s)	10bn	9.45	100.106R	Mar 2000	0.25R	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +20bp. b) Welcome Break Finance. Quarterly coupons. b1) Callable on any coupon date. Av life: 8.3 yrs. b2) 3-mth Libor +65bp. b3) Callable on any coupon date. Av life: 11.9 yrs. b4) 3-mth Libor +85bp to Jun 07, then +200bp. b5) Spens call provision. Av live 15.9 yrs. b6) Spens call provision. Av live 19.1 yrs. c) 3-mth Athibor –75bp. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	128.0186	–1.130	6.47	6.55	7.11
Austria		5.625	07/07	98.9400	–0.400	5.77	5.58	5.83
Belgium		6.250	03/07	108.1800	–0.460	5.80	5.64	5.75
Canada *		7.250	06/07	109.6500	+0.210	5.94	5.91	6.20
Denmark		7.000	06/07	105.3900	–0.600	6.27	6.02	6.30
France	BTAN	4.750	03/02	99.6103	–0.400	4.84	4.62	4.55
	OAT	5.500	10/07	98.8300	–0.640	5.65	5.44	5.55
Germany Bund		6.000	07/07	102.1300	–0.470	5.71	5.54	5.67
Ireland		8.000	08/06	110.2000	–0.640	6.47	6.29	6.52
Italy		6.750	02/07	100.5700	–0.470	6.67†	6.41	6.73
Japan	No 148	5.600	06/02	119.6127	–0.120	1.42	1.49	1.80
	No 182	3.000	09/05	106.5673	-	2.12	2.19	2.47
Netherlands		5.750	02/07	100.6900	–0.430	5.65	5.47	5.54
Portugal		9.500	02/06	120.5900	–1.010	6.30	6.13	6.24
Spain		7.350	03/07	106.7000	–0.680	6.39	6.14	6.31
Sweden		8.000	08/07	110.2491	–0.380	6.57	6.44	6.67
UK Gilts		7.000	06/02	99–19	–1/32	7.10	7.01	7.04
		7.250	12/07	101–04	–11/32	7.09	6.96	7.09
		9.000	10/08	114–11	–13/32	7.12	6.99	7.14
US Treasury *		6.625	05/07	102–29	+1/32	6.22	6.12	6.47
		6.625	02/27	101–25	–2/32	6.49	6.40	6.76
ECU (French Govt)		5.500	04/07	96.3900	–0.900	6.00	5.79	5.82

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.91
Prime rate	8½	Two month	-	Three year	6.00
Broker loan rate	7¼	Three month	5.28	Five year	6.11
Fed.funds	5½	Six month	5.42	10-year	6.22
Fed.funds at intervention	-	One year	5.52	30-year	6.48

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.90	129.20	–0.56	129.92	129.14	177,352	184,955
Dec	98.64	98.18	–0.52	98.64	98.20	2,540	10,922
Mar	98.24	97.58	–0.52	98.24	98.24	2	–

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
127	3.23	-	-	0.04	-	-
128	2.27	-	-	0.08	-	-
129	1.40	-	-	0.21	-	-
130	0.71	-	-	0.51	-	-
131	0.27	-	-	1.07	-	-

Est. vol. total, Calls 17,157 Puts 20,124. Previous day's open int., Calls 80,071 Puts 104,938.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.29	101.71	-0.44	102.32	101.58	232284	264967
Dec	101.45	100.87	-0.46	101.45	100.80	8843	13191

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
10150	0.60	0.52	0.73	0.87	0.39	1.15	1.36	1.50
10200	0.34	0.35	0.54	0.67	0.63	1.48	1.67	1.80
10250	0.17	0.23	0.38	0.51	0.96	1.86	2.01	2.14

Est. vol. total, Calls 24543 Puts 46137. Previous day's open int., Calls 164026 Puts 235426

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.90	135.15	-0.75	136.27	134.95	78427	102443
Dec	107.40	107.44	-0.62	107.40	107.32	628	3380

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		27.44		0
8050		26.94		0
8100		26.44		0

Est. vol. total, Calls 10139 Puts 5310. Previous day's open int., Calls 100230 Puts 127680

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.93	116.24	–0.61	116.89	116.22	101,218	81,453
Dec	100.92	100.27	–0.64	100.92	100.30	368	1,002

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-27	114-09	-0-12	114-27	114-05	70834	176276
Dec	114-12	113-29	-0-12	114-12	114-00	345	9260

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
114	0-50	1-03	1-21	1-38	0-32	1-09	1-27	1-44
115	0-21	0-39	0-58	1-09	1-03	1-45	2-00	2-15
116	0-07	0-21	0-37	0-49	1-53	2-27	2-43	2-55

Est. vol. total, Calls 850 Puts 5336. Previous day's open int., Calls 45230 Puts 37924

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.80	96.18	–0.62	96.86	96.16	1,342	6,741

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	114–21	114–11	–0–10	114–24	114–11	317,895	526,575
Dec	114–10	114–00	–0–09	114–12	114–00	7,013	45,215
Mar	113–28	113–28	–0–04	113–28	113–24	190	31,654

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	126.50	-	-	126.54	126.36	1837	n/a
Dec	125.90	-	-	125.91	125.78	514	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Aug 5	Day's change %	Mon Aug 4	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	119.56	0.00	119.56	2.40	6.98
2 5-15 years (20)	152.22	-0.22	152.55	2.54	7.01
3 Over 15 years (6)	182.32	-0.47	183.19	6.67	5.60
4 Irredeemables (5)	211.72	-0.67	213.16	2.61	8.36
5 All stocks (51)	147.04	-0.20	147.33	3.27	6.70
Index-linked					
6 Up to 5 years (2)	206.01	-0.01	206.02	2.10	3.03
7 Over 5 years (10)	199.68	-0.13	199.94	1.31	3.96
8 All stocks (12)	199.27	-0.12	199.50	1.39	3.65

UK Indices

	Low coupon yield Aug 5	Aug 4	Yr. ago	Medium coupon yield Aug 5	Aug 4	Yr. ago	High coupon yield Aug 5	Aug 4	Yr. ago
5 yrs	7.10	7.07	7.24	7.18	7.16	7.30	7.23	7.21	7.39
15 yrs	7.08	7.04	8.08	7.10	7.05	8.08	7.18	7.16	8.16
20 yrs	7.08	7.04	8.18	7.06	7.00	8.16	7.16	7.13	8.24
Irred.†	7.14	7.08	8.27						

	Inflation 5% Aug 5	Aug 4	Yr. ago	Inflation 10% Aug 5	Aug 4	Yr. ago
Up to 5 yrs	3.72	3.72	2.56	3.07	3.05	0.98
Over 5 yrs	3.59	3.57	3.76	3.39	3.37	3.55

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 5	Aug 4	Aug 1	Jul 31	Jul 30	Yr ago	High*	Low*
Govt. Secs. (UK)	96.75	97.01	97.26	97.63	97.88	93.29	97.88	93.31
Fixed Interest	125.57	125.90	126.30	126.60	126.58	113.26	126.66	115.32

Gilt Edged Activity Indices

	Aug 4	Aug 1	Jul 31	Jul 30	Jul 29
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 5

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					
FLOATING RATE NOTES					
[illegible]					
CONVERTIBLE BONDS					
[illegible]					

[illegible]

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]						

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

US dollar continues its advance

MARKETS REPORT

By Richard Adams

The US dollar continued its upward climb against the D-Mark yesterday, gaining 1.5 pfennigs against the German currency in foreign exchange trading in Europe.

The dollar reached fresh eight-year highs against the D-Mark during trading, when it rose above DM1.88, but it ended the day at DM1.879 at close of trading in London. On Monday the dollar closed at DM1.864.

The dollar also rose strongly against the French franc during the day. It traded at FFr6.3507, its highest since late 1989, but closed at FFr6.343, up 0.7 of a centime from Monday.

The dollar touched its highest levels for almost four years against the Swiss franc when it rose to SFr1.536 before easing to SFr1.534.

The yen gained ground against the D-Mark in the wake of the dollar. It rose to a two-year high against the D-Mark, to under Y63 after rumours of heavy selling from US funds. But the D-Mark later recovered to Y63.40. Meanwhile, the dollar's general strength took it to Y119.1, from Y118.2.

Sterling followed the dollar upwards against the D-Mark, to over DM3.06, helped by higher-than-forecast industrial output, and speculation that UK interest rates will be raised at the meeting of the Bank of England's monetary policy committee, which starts today. Sterling later settled at DM3.056, up 1.8 pfennig.

Meanwhile, the troubled Thai baht was upset by news that a large number of domestic finance companies would be suspended by the central bank.

The baht fell to Bt31.70 to the dollar near the close in domestic market, from Bt31.20 in early trade. Offshore, the baht traded around at Bt31.3.

■ The dollar's strength came against a background of uncertainty over the Bundesbank's plans for the possible reintroduction of a variable rate securities repurchase rate, and an interview by the bank's chief economist.

The latest repo, announced yesterday, was again at a fixed rate of 3 per cent. But the central bank has said only the first two repos during the four-week summer break would be fixed. This leaves open the possibility that the third one could be switched to a variable rate next week, thus allowing it to move slightly higher in a bid to halt the dollar's climb.

Mr Otmar Issing, a Bundesbank director, kept speculation alive by expressing concern about the rising dollar and its impact on potential inflation. But in an interview with Börse Online, an investment magazine, he said there was "no automatic link" between interest rates and a particular dollar level.

"As the dominant world currency, the dollar of course has special importance," he added. "It is not the level, but the rapid decline in the value of the D-Mark that is a cause for concern," he said. The interview was given when the dollar was below DM1.84.

The Bundesbank denied rumours it was planning an emergency meeting today. "That is absolute nonsense," a spokesman said.

■ The Thai baht fell further against the US dollar yesterday, after Thailand announced it would suspend 42 finance companies.

The Bank of Thailand said it suspended more than half of the local finance companies, after saying finance firms have borrowed almost Bt500bn ($16.13bn) from the central bank to ease liquidity problem.

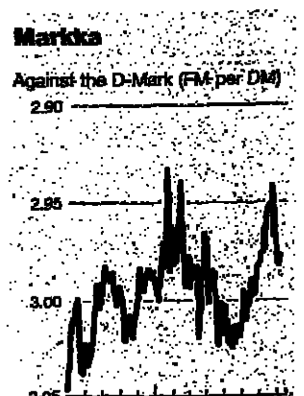
The government also announced measures to restore investor confidence and revive the economy, which include seeking about $12-15bn loans from IMF and foreign governments.

But Mr Steve Jennions, an emerging markets analyst at Indosuez, is not reassured by the measures. "Let us not long for the day the Bank of Thailand tries to alarm us," said Mr Jennions. He points out that the total package will not fund the lending already made by the Bank of Thailand, let alone fund any further bail-outs.

He estimates that the central bank has expanded reserve money by 40 per cent since April. "If the dilution effect of this expansion is fully felt on the currency, that implies a baht trading at Bt36.5 to the dollar," Mr Jennions said.

Markka

Against the D-Mark (FM per DM)



Source: Datastream/ICV

■ **Pound in New York**

Aug 5	Latest	Prev. close
£ spot	1.6235	1.6310
1 mth	1.6218	1.6290
3 mth	1.6176	1.6251
1 yr	1.6003	1.6065

■ **OTHER CURRENCIES**

Aug 5	£	$
Czech Rp	56.9108 - 57.0102	34.9790 - 35.0250
Hungary	325.107 - 325.328	199.820 - 199.870
Iran	4883.10 - 4881.00	3000.00 - 3000.00
Kuwait	0.4964 - 0.4969	0.3051 - 0.3053
Poland	5.6668 - 5.6725	3.4830 - 3.4850
Russia	9441.48 - 9447.17	5803.00 - 5804.00
U.A.E.	5.9719 - 5.9794	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.5159	+0.1266	055 - 263	21.5502	21.3611	21.4615	3.0	21.3488	3.1	20.8433	3.1	101.5
Belgium	(BFr)	63.1412	+0.4004	951 - 873	63.2270	62.6500	62.9612	3.4	62.5912	3.5	60.8412	3.6	100.6
Denmark	(DKr)	11.6551	+0.0713	501 - 600	11.6781	11.5702	11.6236	3.2	11.5596	3.3	11.2681	3.3	102.6
Finland	(FM)	9.1036	+0.0399	975 - 096	9.1310	9.0540	9.0783	3.3	9.0258	3.4	8.8131	3.2	80.5
France	(FFr)	10.3223	+0.07	184 - 261	10.3383	10.2448	10.2893	3.8	10.2323	3.5	9.9569	3.5	102.9
Germany	(DM)	3.0577	+0.0179	563 - 591	3.0653	3.0354	3.0484	3.7	3.0293	3.7	2.9425	3.8	101.1
Greece	(Dr)	476.846	+2.711	630 - 063	477.737	470.958	476.629	-4.5	481.253	-3.7	489.621	-2.7	65.1
Ireland	(I£)	1.1344	+0.0056	332 - 356	1.1392	1.1260	1.1339	0.5	1.1325	0.7	1.1217	1.1	98.0
Italy	(L)	2990.68	+15.31	880 - 253	2998.51	2978.32	2990.74	0.0	2990.7	0.0	2989.11	0.1	75.1
Luxembourg	(LFr)	63.1412	+0.4004	951 - 873	63.2270	62.6500	62.9612	3.4	62.5912	3.5	60.8412	3.6	100.6
Netherlands	(Fl)	3.4433	+0.0196	421 - 445	3.4500	3.4170	3.4331	3.6	3.4122	3.6	3.3162	3.7	99.9
Norway	(NKr)	12.6122	+0.0768	076 - 168	12.6745	12.5307	12.5797	3.1	12.5187	3.0	12.2497	2.9	95.6
Portugal	(Es)	306.985	+1.381	837 - 133	309.917	307.376	306.829	0.6	308.299	0.9	304.211	1.5	91.5
Spain	(Pta)	258.488	+1.801	400 - 576	258.850	256.440	258.173	1.5	257.423	1.6	253.053	2.1	75.9
Sweden	(SKr)	13.1362	+0.0388	273 - 451	13.2267	13.1063	13.1087	2.5	13.0502	2.6	12.7937	2.6	85.2
Switzerland	(SFr)	2.4956	+0.0076	942 - 969	2.5002	2.4853	2.4847	5.3	2.4621	5.4	2.3619	5.4	105.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.7
Ecu	-	1.5487	+0.0094	479 - 495	1.5509	1.5386	1.5454	2.6	1.5382	2.7	1.5042	2.9	-
SDR†	-	1.208572	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6271	-0.0035	267 - 275	1.6342	1.6257	-	-	-	-	-	-	-
Brazil	(R$)	1.7640	-0.0024	635 - 644	1.7700	1.7613	-	-	-	-	-	-	-
Canada	(C$)	2.2470	-0.0026	461 - 479	2.2541	2.2430	2.2401	3.7	2.2265	3.6	2.1756	3.2	85.4
Mexico	(New Peso)	12.7007	-0.075	939 - 075	12.7573	12.6823	-	-	-	-	-	-	-
USA	($)	1.6274	-0.0035	270 - 277	1.6345	1.6260	1.6254	1.5	1.6215	1.5	1.6038	1.4	106.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1999	-0.0078	986 - 011	2.2114	2.1943	2.1983	2.0	2.1879	2.2	2.1509	2.2	94.1
Hong Kong	(HK$)	12.5965	-0.0311	930 - 000	12.6543	12.5864	12.5955	0.1	12.5891	0.2	12.534	0.5	-
India	(Rs)	58.1159	-0.166	627 - 691	58.3520	58.0510	58.3111	-4.0	58.7117	-4.1	60.3914	-3.9	-
Israel	(Shk)	5.7796	+0.0091	700 - 891	5.7895	5.7660	-	-	-	-	-	-	-
Japan	(Y)	193.850	+1.053	743 - 957	194.200	192.360	192.83	6.3	190.805	6.3	181.82	6.2	131.5
Malaysia	(M$)	4.3003	+0.0102	969 - 036	4.3102	4.2839	4.3045	-1.2	4.3125	-1.1	4.3312	-0.7	-
New Zealand	(NZ$)	2.5217	-0.0134	197 - 236	2.5396	2.5175	2.5249	-1.5	2.5287	-1.1	2.5293	-0.3	109.2
Philippines	(Peso)	46.7050	-0.9176	509 - 591	47.9670	46.4433	46.8648	-4.1	47.1143	-3.5	48.1713	-3.1	-
Saudi Arabia	(SR)	6.1033	-0.0136	016 - 050	6.1302	6.0985	6.0998	0.7	6.0914	0.8	6.0549	0.8	-
Singapore	(S$)	2.3947	+0.0021	925 - 968	2.3984	2.3868	2.3901	2.3	2.38	2.5	2.3318	2.6	-
South Africa	(R)	7.5697	-0.0205	658 - 737	7.6070	7.5654	7.6304	-9.6	7.7483	-9.4	8.1852	-8.1	-
South Korea	(Won)	1449.56	-0.31	559 - 354	1454.14	1443.95	-	-	-	-	-	-	-
Taiwan	(T$)	46.5797	-0.1457	664 - 929	46.6341	46.5443	46.5632	0.4	46.5234	0.5	46.3257	0.5	-
Thailand	(Bt)	51.6312	+0.1316	759 - 864	52.1580	50.3440	52.1678	-7.8	52.6294	-6.2	53.6596	-3.5	-

† Rates for Aug 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	13.2215	+0.1064	179 - 250	13.2340	13.0935	13.1975	2.2	13.1485	2.2	12.9245	2.2	101.2
Belgium	(BFr)	38.8000	+0.33	800 - 200	38.8350	38.3630	38.725	2.3	38.5735	2.3	37.88	2.4	100.9
Denmark	(DKr)	7.1620	+0.0593	605 - 635	7.1690	7.0809	7.1503	2.0	7.126	2.0	7.0196	2.0	102.0
Finland	(FM)	5.5941	+0.036	916 - 966	5.6094	5.5428	5.5826	2.5	5.559	2.5	5.4651	2.3	79.9
France	(FFr)	6.3430	+0.0567	420 - 440	6.3507	6.2720	6.3315	2.2	6.3076	2.2	6.1988	2.3	102.5
Germany	(DM)	1.8790	+0.0151	785 - 794	1.8820	1.8585	1.8752	2.5	1.8674	2.5	1.8324	2.5	100.8
Greece	(Dr)	293.020	+2.3	950 - 090	293.440	288.940	294.315	-5.3	296.37	-4.6	303.52	-3.6	64.9
Ireland	(I£)	1.4346	-0.0102	334 - 357	1.4495	1.4295	1.4339	0.6	1.4329	0.5	1.4333	0.1	-
Italy	(L)	1837.75	+13.39	700 - 850	1841.54	1823.10	1839.52	-1.2	1842.53	-1.0	1845.95	-0.4	74.8
Luxembourg	(LFr)	38.8000	+0.33	800 - 200	38.8350	38.3630	38.725	2.3	38.5735	2.3	37.88	2.4	100.9
Netherlands	(Fl)	2.1159	+0.0166	156 - 162	2.1190	2.0929	2.1117	2.4	2.1031	2.4	2.0654	2.4	100.0
Norway	(NKr)	7.7502	+0.064	490 - 513	7.7930	7.6686	7.7358	2.2	7.7073	2.2	7.5956	2.0	95.1
Portugal	(Es)	189.870	+1.26	820 - 920	190.360	188.180	189.834	0.2	189.78	0.2	188.61	0.7	92.2
Spain	(Pta)	158.840	+1.45	820 - 860	159.000	156.960	158.795	0.3	158.62	0.6	157.445	0.9	75.6
Sweden	(SKr)	8.0722	+0.0402	684 - 759	8.1251	8.0210	8.0632	1.3	8.0438	1.4	7.9698	1.3	85.2
Switzerland	(SFr)	1.5335	+0.008	330 - 340	1.5366	1.5210	1.5282	4.2	1.5175	4.2	1.472	4.0	105.1
UK	(£)	1.6274	-0.0035	270 - 277	1.6345	1.6260	1.6254	1.5	1.6215	1.5	1.6038	1.4	104.8
Ecu	-	1.0506	-0.0088	505 - 511	1.0609	1.0499	1.0522	-1.7	1.0554	-1.8	1.071	-1.9	-
SDR†	-	0.73808	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0840	+0.0009	839 - 840	1.0850	1.0832	-	-	-	-	-	-	-
Canada	(C$)	1.3808	+0.0014	805 - 810	1.3812	1.3788	1.3777	2.7	1.372	2.6	1.3514	2.1	85.3
Mexico	(New Peso)	7.8045	-0.029	020 - 070	7.8080	7.8000	7.913	-16.7	8.124	-16.4	9.0345	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3518	-0.0018	514 - 523	1.3530	1.3510	1.3512	0.5	1.3494	0.7	1.341	0.8	95.3
Hong Kong	(HK$)	7.7405	-0.0022	400 - 410	7.7423	7.7395	7.741	-0.1	7.7419	-0.1	7.7442	0.0	-
India	(Rs)	35.7120	-0.024	870 - 370	35.7420	35.6700	35.8495	-4.6	36.1345	-4.7	37.347	-4.6	-
Israel	(Shk)	3.5515	+0.0133	464 - 566	3.5587	3.5371	-	-	-	-	-	-	-
Japan	(Y)	119.120	+0.905	080 - 160	119.260	118.000	118.605	5.2	117.605	5.1	113.305	4.9	133.3
Malaysia	(M$)	2.6425	+0.012	410 - 440	2.6445	2.6280	2.647	-2.0	2.656	-2.0	2.686	-1.6	-
New Zealand	(NZ$)	1.5495	-0.0049	487 - 504	1.5505	1.5485	1.5503	-0.6	1.5527	-0.8	1.5628	-0.9	-
Philippines	(Peso)	28.7000	-0.5	500 - 500	29.5000	28.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	502 - 507	3.7508	3.7501	3.7512	-0.2	3.7522	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4715	+0.0045	705 - 725	1.4728	1.4650	1.4698	1.4	1.468	1.5	1.4465	1.7	-
South Africa	(R)	4.6515	-0.0025	500 - 530	4.6585	4.6480	4.692	-10.4	4.7715	-10.3	5.074	-9.1	-
South Korea	(Won)	890.750	+1.75	500 - 000	893.700	888.300	-	-	-	-	-	-	-
Taiwan	(T$)	28.6230	-0.027	210 - 250	28.6720	28.6200	28.634	-0.5	28.643	-0.3	28.7355	-0.4	-
Thailand	(Bt)	31.6500	+0.15	000 - 000	32.1500	30.6900	32.295	-16.8	33	-14.4	34.23	-7.5	-

† SDR rate per $ for Aug 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 4: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/16	3 11/32	3 13/32	3 13/32	3 9/16	6.00	2.50	-
France	3 1/32	3 5/32	3 5/32	3 5/32	3 7/32	3.10	-	4.75
Germany	3 1/32	3 1/8	3 7/32	3 5/16	3 1/2	4.50	2.50	3.00
Ireland	6 1/8	6 1/4	6 5/16	6 7/16	6 11/16	-	-	6.75
Italy	6 25/32	6 27/32	6 23/32	6 3/4	6 21/32	7.75	6.25	6.27
Netherlands	3 1/16	3 1/4	3 11/32	3 11/32	3 1/2	-	2.50	2.90
Switzerland	1 1/4	1 7/16	1 1/2	1 5/8	1 13/16	-	1.00	-
US	5 11/16	5 11/16	5 23/32	5 25/32	5 15/16	-	5.00	-
Japan	1/2	5/8	1/2	17/32	3/4	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	5 9/16	5 23/32	5 13/16	6	-	-	-
US Dollar CDs	-	5.39	5.44	5.53	5.72	-	-	-
ECU Linked Ds	-	4 5/16	4 5/16	4 3/8	4 7/16	-	-	-
SDR Linked Ds	-	3 1/2	3 11/32	3 13/32	3 23/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/8	3 11/16 - 3 5/8	3 13/16 - 3 11/16	3 13/16 - 3 11/16	3 3/4 - 3 5/8	3 29/32 - 3 25/32
Danish Krone	3 1/2 - 3 3/16	3 19/32 - 3 7/16	3 19/32 - 3 7/16	3 21/32 - 3 1/2	3 27/32 - 3 11/16	4 1/32 - 3 15/16
German Mark	3 1/16 - 2 15/16	3 1/16 - 2 15/16	3 1/16 - 3 3/32	3 5/32 - 3 3/32	3 7/16 - 3 5/16	3 5/8 - 3 17/32
Dutch Guilder	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 11/32 - 3 7/32	3 3/8 - 3 1/4	3 15/32 - 3 11/32	3 11/16 - 3 9/16
French Franc	3 7/32 - 3 3/32	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 13/32 - 3 5/16	3 5/8 - 3 1/2	3 31/32 - 3 27/32
Portuguese Esc.	5 15/16 - 5 27/32	5 15/16 - 5 27/32	5 15/16 - 5 27/32	5 5/8 - 5 9/16	5 11/16 - 5 7/16	5 3/8 - 5 9/32
Spanish Peseta	5 13/32 - 5 1/4	5 13/32 - 5 5/16	5 3/8 - 5 11/32	5 3/8 - 5 11/32	5 5/16 - 5 1/4	5 1/4 - 5 5/32
Sterling	6 13/16 - 6 7/16	6 13/16 - 6 11/16	7 - 6 13/16	7 3/32 - 7 1/32	7 11/32 - 7 9/32	7 13/32 - 7 11/32
Swiss Franc	1 1/2 - 1	1 13/32 - 1 5/32	1 1/2 - 1 13/32	1 1/2 - 1 3/8	1 21/32 - 1 15/32	1 23/32 - 1 17/32
Canadian Dollar	3 3/8 - 3 1/4	3 7/16 - 3 1/4	3 1/2 - 3 1/4	3 5/8 - 3 1/2	3 15/16 - 3 13/16	4 7/16 - 4 5/16
US Dollar	5 21/32 - 5 17/32	5 19/32 - 5 1/2	5 5/8 - 5 1/2	5 21/32 - 5 5/8	5 3/4 - 5 23/32	6 - 5 7/8
Italian Lira	7 1/16 - 6 7/16	6 27/32 - 6 13/16	6 29/32 - 6 13/16	6 15/16 - 6 3/8	6 13/16 - 6 11/16	6 17/32 - 6 7/16
Japanese Yen	1/2 - 15/32	17/32 - 15/32	17/32 - 7/16	9/16 - 7/16	19/32 - 15/32	5/8 - 1/2
Asian $Sing	2 - 1 7/8	3 3/8 - 3 1/4	3 13/16 - 3 11/16	3 7/8 - 3 3/4	3 15/16 - 3 13/16	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.43	96.39	-0.04	96.46	96.36	33,001	79,109
Dec	96.28	96.21	-0.06	96.32	96.15	28,828	34,569
Mar	96.17	96.09	-0.08	96.22	96.06	11,563	28,920

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.64	96.60	-0.03	96.65	96.58	40211	267076
Dec	96.44	96.40	-0.03	96.46	96.37	62722	310731
Mar	96.31	96.25	-0.05	96.34	96.22	71141	261374
Jun	96.13	96.04	-0.07	96.14	96.00	61769	201121

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug	-	96.77	-0.01	-	-	0	540
Sep	-	96.71	-0.02	-	-	0	348
Oct	-	96.66	-0.03	-	-	0	290
Nov	-	96.63	-0.04	-	-	0	60

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.24	93.20	-0.04	93.26	93.18	19168	110611
Dec	93.56	93.52	-0.04	93.59	93.48	19681	91137
Mar	93.85	93.78	-0.07	93.88	93.77	11338	52147
Jun	94.08	94.00	-0.08	94.13	93.99	6140	40332

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.46	98.37	-0.06	98.46	98.35	12189	59265
Dec	98.26	98.15	-0.10	98.28	98.14	10757	47208
Mar	98.14	98.03	-0.10	98.16	98.02	5961	21374
Jun	97.99	97.87	-0.10	97.99	97.87	1711	6632

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	99.36	-	-	-	0	n/a
Dec	99.30	99.30	+0.01	99.30	99.30	400	n/a
Mar	-	99.17	+0.01	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.58	95.54	-0.03	95.59	95.51	2339	10341
Dec	95.54	95.50	-0.03	95.56	95.45	1550	8657
Mar	95.52	95.46	-0.05	95.53	95.44	282	6014
Jun	95.46	95.37	-0.07	95.46	95.35	76	3367

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.24	0.59	0.88	0.04	0.07	0.10
9325	0.08	0.39	0.68	0.13	0.12	0.15
9350	0.02	0.24	0.50	0.32	0.22	0.22

Est. vol. total, Calls 1650 Puts 1327. Previous day's open int., Calls 129682 Puts 63049

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.35	4.843	1.797	4736	5.453	19.97	489.4	409.4	20.80	3.952	1.584	3.559	2.577	307.0	2.453
Denmark	(DKr)	54.17	10	8.856	2.624	0.973	2566	2.954	10.82	265.1	221.8	11.27	2.141	0.858	1.928	1.396	166.3	1.329
France	(FFr)	61.17	11.29	10	2.962	1.099	2897	3.336	12.22	299.3	250.4	12.73	2.418	0.969	2.177	1.577	187.8	1.500
Germany	(DM)	20.65	3.812	3.376	1	0.371	978.0	1.126	4.125	101.0	84.53	4.296	0.816	0.327	0.735	0.532	63.40	0.506
Ireland	(I£)	55.66	10.27	9.100	2.696	1	2636	3.035	11.12	272.4	227.9	11.58	2.200	0.882	1.981	1.435	170.9	1.365
Italy	(L)	2.111	0.390	0.345	0.102	0.038	100	0.115	0.422	10.33	8.643	0.439	0.083	0.033	0.075	0.054	6.482	0.052
Netherlands	(Fl)	18.34	3.385	2.998	0.888	0.329	868.5	1	3.663	89.73	75.07	3.815	0.725	0.290	0.653	0.473	56.30	0.450
Norway	(NKr)	50.06	9.241	8.184	2.424	0.899	2371	2.730	10	245.0	204.9	10.42	1.979	0.793	1.782	1.290	153.7	1.228
Portugal	(Es)	20.44	3.772	3.341	0.990	0.367	967.9	1.114	4.082	100	83.66	4.251	0.808	0.324	0.727	0.527	62.74	0.501
Spain	(Pta)	24.43	4.509	3.993	1.183	0.439	1157	1.332	4.879	119.5	100	5.082	0.965	0.387	0.869	0.630	74.99	0.599
Sweden	(SKr)	48.07	8.872	7.858	2.328	0.864	2277	2.621	9.601	235.2	196.8	10	1.900	0.761	1.711	1.239	147.6	1.179
Switzerland	(SFr)	25.30	4.670	4.136	1.225	0.455	1198	1.380	5.054	123.8	103.6	5.264	1	0.401	0.900	0.652	77.68	0.621
UK	(£)	63.14	11.66	10.32	3.058	1.134	2991	3.443	12.61	309.0	258.5	13.14	2.496	1	2.247	1.627	193.9	1.549
Canada	(C$)	28.10	5.187	4.594	1.361	0.505	1331	1.532	5.613	137.5	115.0	5.846	1.111	0.445	1	0.724	86.27	0.689
USA	($)	38.80	7.162	6.343	1.879	0.697	1838	2.116	7.750	189.9	158.8	8.072	1.534	0.614	1.381	1	119.1	0.952
Japan	(Y)	32.57	6.012	5.325	1.577	0.585	1543	1.776	6.506	159.4	133.3	6.777	1.287	0.516	1.159	0.839	100	0.799
Ecu	-	40.77	7.526	6.665	1.974	0.732	1931	2.223	8.144	199.5	166.9	8.482	1.611	0.646	1.451	1.051	125.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5376	0.5345	-0.0026	0.5385	0.5329	20,204	130,503
Dec	0.5381	0.5371	-0.0032	0.5381	0.5366	97	3,253
Mar	-	0.5405	-0.0029	-	0.5405	2	545

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6588	0.6566	-0.0018	0.6607	0.6545	9,652	61,434
Dec	0.6628	0.6628	-0.0024	0.6628	0.6627	104	2,222
Mar	-	0.6700	-0.0020	-	0.6700	7	987

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8504	0.8456	-0.0046	0.8525	0.8456	14,652	78,474
Dec	0.8585	0.8568	-0.0044	0.8592	0.8569	73	1,948
Mar	-	0.8726	-	-	-	8	413

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6276	1.6254	-0.0008	1.6324	1.6238	5,362	48,224
Dec	-	1.6200	-0.0002	1.6244	1.6190	21	864
Mar	-	1.6130	-0.0014	-	1.6130	14	209

UK INTEREST RATES

LONDON MONEY RATES

Aug 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 11/16 - 5 3/4	6 13/16 - 6 5/8	7 - 6 7/8	7 1/4 - 7 1/8	7 3/8 - 7 1/4	7 5/8 - 7 1/2
Sterling CDs	-	-	6 29/32 - 6 27/32	6 15/16 - 6 7/8	7 3/32 - 7 1/32	7 5/16 - 7 1/4
Treasury Bills	-	-	6 13/16 - 6 3/4	6 7/8 - 6 3/4	-	-
Bank Bills	-	-	6 29/32 - 6 27/32	6 31/32 - 6 29/32	7 1/8 - 7 1/16	-
Local authority deps.	6 5/8 - 6 1/2	6 3/4 - 6 5/8	6 7/8 - 6 13/16	7 1/32 - 6 31/32	7 3/16 - 7 1/8	7 7/16 - 7 3/8
Discount Market deps	6 7/8 - 6 13/16	6 3/4 - 6 5/8	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 1, 6.7348pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.68	92.69	+0.02	92.70	92.66	21609	130465
Dec	92.49	92.50	+0.02	92.53	92.49	18639	136892
Mar	92.48	92.49	+0.02	92.52	92.48	14024	102183
Jun	92.53	92.52	+0.01	92.56	92.51	10847	69006
Sep	92.59	92.57	-	92.60	92.57	4384	54315

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.22	0.16	0.22	0.03	0.16	0.23
9275	0.05	0.05	0.11	0.11	0.30	0.37
9300	0.01	0.01	0.05	0.32	0.51	0.56

Est. vol. total, Calls 1515 Puts 3582. Previous day's open int., Calls 180807 Puts 170572

EMS EUROPEAN CURRENCY UNIT RATES

Aug 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.90861	-0.0014	0.93	2.72	-6
Ireland	0.798709	0.737541	+0.002622	-7.66	12.27	52
Portugal	197.398	200.751	+0.218	1.70	1.94	-11
Italy	1906.48	1940.23	-0.23	1.77	1.87	-13
Spain	163.826	167.661	+0.313	2.34	1.30	-16
Denmark	7.34555	7.55629	+0.00238	2.87	0.78	-20
Netherlands	2.16979	2.23357	+0.00057	2.94	0.71	-22
Germany	1.92573	1.98291	+0.00058	2.97	0.68	-29
Austria	13.5485	13.9532	+0.0049	2.99	0.66	-22
Belgium	39.7191	40.9438	+0.0131	3.08	0.57	-23
France	6.45863	6.69576	+0.00885	3.67	0.00	-31
NON ERM MEMBERS						
Greece	295.269	309.231	-0.016	4.73	-1.01	-
UK	0.793103	0.648605	-0.00256	-18.22	26.77	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.620	1.11	1.86	2.41	0.98	1.81	2.57
1.630	0.68	1.42	1.96	1.45	2.51	3.06
1.640	0.43	1.06	1.58	2.26	3.04	-

Previous day's vol., Calls 1,735 Puts 1,675. Prev. day's open int., Calls 32,450 Puts 38,862

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.530	0.83	1.19	1.48	0.18	0.41	0.59
0.535	0.50	0.89	1.16	0.35	0.56	0.79
0.540	0.30	0.63	0.90	0.62	0.82	1.04

Previous day's vol., Calls 318 Puts 982. Prev. day's open int., Calls 15,723 Puts 13,125

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.25	-0.01	94.26	94.25	44,874	527,224
Dec	94.09	94.08	-0.01	94.10	94.06	86,087	469,400
Mar	94.00	94.00	-	94.02	93.98	94,634	341,833

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.88	94.88	-	94.89	94.87	657	6,935
Dec	-	94.77	-0.01	-	94.77	62	823

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9625	0.35	0.36	0.22	0.28	0	0.01	0.07	0.11
9650	0.12	0.14	0.08	0.11	0.02	0.04	0.18	0.21
9675	0.01	0.02	0.02	0.03	0.16	0.17	0.37	0.38
9700	0	0	0	0.01	0.40	0.40	0.60	0.61
9725	0	0	0	0	0.65	0.65	0.85	0.85

Est. vol. total, Calls 12342 Puts 15258. Previous day's open int., Calls 344905 Puts 262475

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.05	0.07	0.11	0.18	0.42	0.58
9875	0.02	0.02	0.05	0.40	0.62	0.77

Est. vol. total, Calls 0 Puts 25. Previous day's open int., Calls 3875 Puts 3432

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	6.50
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

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COMMODITIES AND AGRICULTURE

Tocom to protect palladium speculators

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

As palladium rose to its highest for 17 years yesterday, the Tokyo Commodity Exchange promised to introduce measures today to make it easier for Japanese speculators who have sold palladium short to cover their positions. Tocom said if the market turmoil does not ease in spite of the changes, it would take further action.

In London yesterday morning palladium's price was "fixed" at $245.50 a troy ounce, the highest since March 1980. However, at the afternoon fixing the price fell to $239, unchanged from Monday when it rose 5.5 per cent.

The market's difficulties spring from bureaucratic hold-ups and political infighting in Russia, which produces about 70 per cent of the world's palladium. Russia exported no palladium in the first half of this year and has sent only small parcels in the past month.

Japanese speculators added to the turmoil because they are estimated to have sold short – sold palladium they did not own in the hope the price would fall and they could cover their positions and pocket a profit – nearly 1m ounces of the metal, equal to some 15 per cent of annual supplies.

The speculators have also been caught out by the strength of the US dollar, which has pushed the price of palladium in Japan up from the Y400 a gram average for the past four years to Y800.

Tocom will increase the daily limit on palladium futures contract price moves from Y36 to Y48 a gram, in line with the New York Mercantile Exchange's move to raise its limit to $12 an ounce.

On the London Metal Exchange a wave of speculative selling by investment funds drove the price of lead to a 23-month low of $599.50 a tonne. It ended the day at $605, down $32 or 5 per cent.

Oil prices were steady after Monday's sharp rise. Brent Blend for September delivery was around $19.43 a barrel in late London trading, just three cents off Monday's settlement price.

The markets shrugged off news that Iraq was putting the finishing touches to its new oil pricing formula, approval of which should signal the resumption of exports.

Continuing disruption to Colombia's Cano Limon export pipeline helped underpin prices. The line, which transports the 175,000 barrels a day produced at the Cano Limon field to Colombia's main coastal export terminal, was cut this week by guerrilla attacks.

Guerrilla activity in Colombia has not, however, hindered the planned expansion of the Cusiana and Cupiagua fields. British Petroleum yesterday reported that output at the two fields is expected to reach 500,000 b/d by year-end, against 215,000 b/d currently.

In New York arabica coffee futures continued to rise in initial trading on the Coffee, Sugar and Cocoa Exchange. Just before midday the September future was 5.75 cents higher at 199.50 cents a pound, having touched 203 cents earlier, an eight-week high.

But the New York market was essentially being driven by locals and small speculators. Lack of large-scale interest was reflected on the London International Financial Futures Exchange. Volume was very thin, at just 4,134 lots, and the robusta coffee future for September eventually closed $5 lower at $1,655 a tonne.

Family of Busang geologist seek tests

By Gary Mead

The family of the Busang gold mine geologist who reportedly fell to his death from a helicopter over the jungles of Indonesia have asked for his body to be exhumed.

The news is the latest twist in the Bre-X Minerals gold scandal in Indonesia. Mr Michael de Guzman was one of the key figures in the discovery earlier this year of what was claimed to be the biggest gold find this century, at Busang in Indonesia.

Initial suggestions from Bre-X that the deposit could contain up to 200m ounces of gold saw the small Canadian company's value rocket to C$6.8bn ($4.9bn). But in May an independent technical audit judged that Bre-X had based its claim on "tampering and falsification without precedent in the history of mining". Bre-X and its advisers are now facing a series of lawsuits.

Mr Guzman allegedly jumped to his death from a helicopter on March 19, while on his way to visit the Busang site. A badly damaged body was flown to the Philippines and buried on April 4.

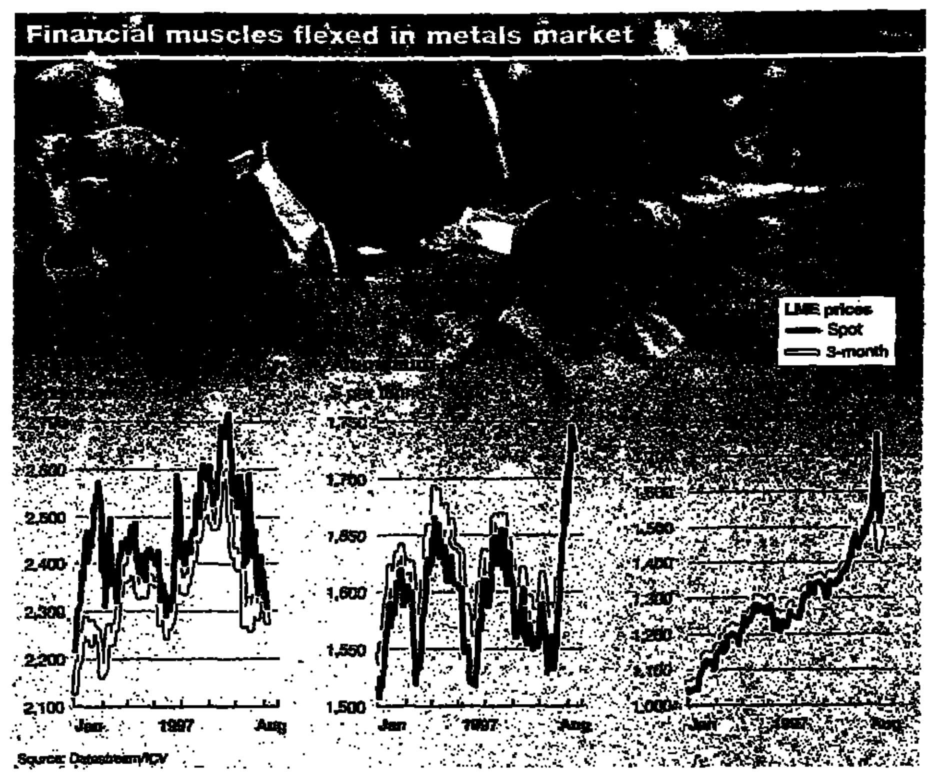
Mr de Guzman was said to have committed suicide because he was depressed after suffering recurring bouts of malaria. However, his family do not believe the suicide theory.

Yesterday his brother, Mr JoJo de Guzman, said he had always believed the corpse was his brother's. However, new tests appeared to show fingerprints taken from the corpse did not match those on an identity card.

"We want everything laid to rest," he said. "The desire of the family is to have a DNA test to put everything in order."

Tight technical squeezes are making life difficult for those who use the LME to hedge costs

Battle of the deep pockets



This is the season of squeezes on the London Metal Exchange. In times past, the exchange would slip into torpor during August and the northern hemisphere summer holiday period. But this year three of the seven metals traded on the LME – aluminium, copper and zinc – are in backwardation, when buyers have to pay a premium for immediate delivery because supplies are tight.

Traders say it is probably the first time the LME has seen three squeezes at once.

In all three markets battles are being waged between some big players with deep pockets. Some of them are using their financial muscle to hold on tightly to stock in LME authorised warehouses, thus putting a squeeze on those who have gone short – sold metal they do not own, in the expectation that prices will fall and they will be able to cover their positions at lower prices and pocket the profit.

This battle between the longs and the shorts is making life uncomfortable for those producers and consumers for which the LME primarily exists. The exchange is supposed to make their planning and operations easier by allowing them to hedge and thereby guarantee the prices they will receive or pay.

Their discomfort is increased because some speculative investment funds see the opportunity to make profits from the squeezes and their intervention frequently causes severe price volatility. On Tuesday last week the LME zinc price fell by more than $300 a tonne, or 18 per cent, in just one hour.

"The involvement of the funds, although welcome for the liquidity they bring to the markets, is playing havoc," says Mr Robin Bhar, analyst at Brandeis (Brokers), part of Pechiney of France. "The LME is promoting itself to trade users, but these squeezes and price volatility make it very difficult for brokers when they try to recruit new clients. And people ask how can the LME be a barometer of true prices when zinc falls $300 in an hour?"

However, Mr Angus MacMillan, head of research at Billiton Metals, suggests little long-term damage is being done to the LME. "While [the squeezes and volatility] make it difficult for brokers to convince clients that the LME is an orderly market, long-term users of the market are aware these things can happen. The LME ... is the only sensible market to hedge metals. But the involvement of the speculative funds means that other market users need to pay close attention to their positions."

Mr Wiktor Bielski, head of commodities research at Deutsche Morgan Grenfell, suggests that squeezes and volatility are an inevitable consequence of the way commodity markets work. "They are relatively small markets and it is not too difficult – if you know how the market works – to create a squeeze."

He suggests that the LME is now a financial market, and that players in financial markets have no concern for producers or consumers. "The smart financial players are looking for situations where they can benefit because something is mispriced, or where they can use their [financial] weight to push things in a direction that suits them."

That is not to suggest, however, that the LME is no longer the best barometer of the "true" price of metals, established between willing buyers and sellers. All the analysts stress that underlying fundamental supply and demand will ultimately assert itself. "Financial players simply use the fundamentals to their own advantage," says Mr Bielski.

Backwardations caused by squeezes, and the premiums they offer, tend to pull nearly every available scrap of spare metal into LME stocks. Mr Bhar points out that squeezes cannot be created or continued when stocks reach a level that makes it financially impossible for would-be squeezers to control most of those stocks.

The fundamentals imply that the zinc squeeze could go on for some time. Analysts say there is a genuine tightness of supply. "The price has just got a little ahead of the fundamentals," says Mr MacMillan.

There is a divergence of opinion, however, on copper. Mr Bhar and Mr MacMillan both suggest that a supply surplus had been gradually building and would inevitably be reflected in LME stocks. Mr Bielski, who has long been among the most bullish observers of the copper scene, suggests that the squeeze could persist for another 18 months.

The aluminium squeeze is different – although the outlook for the metal is positive, there are adequate stocks available. This squeeze is options-related and technically driven. Targets of the squeeze are traders who have granted large volumes of uncovered call options (options that give the buyer the right to purchase a particular futures contract at a specific price within a specified period of time) at $1,700 a tonne. Speculators have been buying aluminium in the hope that they can profit by driving the price above that level. They hope that as traders scramble to cover their positions in case they have to deliver the metal, prices will go even higher.

Analysts suggest that this technical squeeze will probably come to a quick conclusion. In the meantime, volatility and turmoil will occasionally flare up, keeping market participants from falling into summer slumber.

"All this is unusual at this time of year," says Mr Bhar. "But if you are going to squeeze, the obvious time to do it is when the market is quiet and people least expect it."

Kenneth Gooding

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1725.5-26.5	1722-23
Previous	1741-42	1734-35
High/low		1748/1711
AM Official	1723-23.5	1717-18
Kerb close		1721-22
Open int.	288,354	
Total daily turnover	104,154	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1480-90	1505-25
Previous	1505-10	1530-35
High/low		1540/1501
AM Official	1480-90	1505-15
Kerb close		1515-20
Open int.	5,565	
Total daily turnover	1,340	

■ LEAD ($ per tonne)

Close	592-3	608-9
Previous	622.5-23.5	636-37
High/low		631/597
AM Official	610-11	623-24
Kerb close		605-6
Open int.	36,357	
Total daily turnover	20,402	

■ NICKEL ($ per tonne)

Close	7115-25	7220-30
Previous	7205-15	7300-10
High/low		7260/7180
AM Official	7075-76	7185-90
Kerb close		7250-60
Open int.	52,605	
Total daily turnover	14,322	

■ TIN ($ per tonne)

Close	5520-30	5570-80
Previous	5545-55	5590-600
High/low		5590/5560
AM Official	5520-25	5560-65
Kerb close		5580-85
Open int.	15,890	
Total daily turnover	3,840	

■ ZINC, special high grade ($ per tonne)

Close	1583-88	1496-97
Previous	1584-87	1488-89
High/low	1592/1590	1502/1488
AM Official	1591.5-92.0	1496-97
Kerb close		1497-98
Open int.	99,159	
Total daily turnover	36,581	

■ COPPER, grade A ($ per tonne)

Close	2308-11	2282-84
Previous	2319-22	2290-91
High/low	2307	2298/2272
AM Official	2306-07	2277-78
Kerb close		2285-86
Open int.	141,056	
Total daily turnover	43,271	

■ LME AM Official £/$ rate: 1.6268
LME Closing £/$ rate: 1.6335

Spot: 1.6253 3 mths: 1.6195 6 mths: 1.6126 9 mths: 1.6066

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	107.50	+1.10	107.50	105.00	293	2,973
Sep	107.20	+1.00	107.30	104.60	3,371	21,055
Oct	106.05	+0.95	106.10	103.75	3	1,692
Nov	105.40	+0.90	103.90	103.50	15	1,370
Dec	104.75	+0.85	104.75	102.75	299	7,717
Jan	104.40	+0.90	102.90	102.90	1	848
Total					4,080	43,098

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	319.50-320.00		
Opening	323.00-323.30		
Morning fix	323.35	198.34	494.89
Afternoon fix	321.10	197.15	492.41
Day's High	323.60-323.90		
Day's Low	317.25-318.25		
Previous close	323.60-324.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.89 6 months 3.87
2 months ....3.89 12 months 3.91
3 months 3.89

Silver Fix	p/troy oz.	US cts equiv.
Spot	277.10	450.75
3 months	281.25	455.85
6 months	285.70	461.35
1 year	294.60	472.45

Gold Coins	$ price	£ equiv.
Krugerrand	325-327	200-201
Maple Leaf	-	-
New Sovereign	76-78	47-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	320.4	-3.5	324.3	317.0	441	1,321
Sep	321.2	-3.5	-	-	2	2
Oct	322.5	-3.5	325.7	319.0	182	15,052
Dec	324.6	-3.5	328.2	321.0	15,016	105.6k
Feb	326.8	-3.6	329.5	324.0	100	12,318
Apr	328.8	-3.6	328.6	328.6	274	5,355
Total					16,366	188,024

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	449.6	-5.6	466.0	439.5	3,409	11,845
Jan	439.8	-5.6	454.0	433.0	264	2,480
Apr	432.6	-5.6	428.0	425.0	6	405
Total					3,679	14,730

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	227.60	+12.00	227.60	220.00	490	4,174
Dec	219.60	+12.00	219.60	211.50	171	1,105
Mar	213.60	+12.00	213.60	213.60	5	145
Jun	212.10	+12.00	-	-	-	107
Total					666	5,531

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	429.7	-18.9	-	-	-	-
Sep	431.5	-19.2	450.0	429.0	7,718	53,387
Dec	437.8	-19.4	456.5	436.0	763	18,105
Jan	439.4	-19.5	-	-	-	20
Mar	444.0	-19.6	464.0	444.0	16	10,314
May	448.0	-19.6	457.5	447.5	2	2,968
Total					8,497	91,868

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.62	-0.13	20.85	20.55	68,019	96,807
Oct	20.73	-0.13	20.90	20.68	29,115	53,384
Nov	20.77	-0.06	20.88	20.70	7,717	33,445
Dec	20.72	-0.09	20.83	19.83	10,099	49,679
Jan	20.70	-0.07	20.72	20.65	2,182	25,844
Feb	20.65	-0.08	20.67	20.63	1,117	12,766
Total					122,333	432,580

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.37	-0.09	19.50	19.30	13,709	60,474
Oct	19.40	-0.03	19.50	19.30	10,751	51,326
Nov	19.50	+0.04	19.53	19.35	1,367	13,275
Dec	19.53	+0.05	19.57	19.39	2,173	18,521
Jan	19.53	+0.07	19.56	19.39	1,264	14,302
Feb	19.42	+0.02	19.46	19.36	435	6,251
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	57.90	-0.54	58.60	57.70	19,916	43,194
Oct	58.50	-0.46	58.95	58.35	8,352	25,779
Nov	59.00	-0.51	59.45	58.85	2,166	18,010
Dec	59.55	-0.51	60.00	59.35	6,535	17,459
Jan	59.85	-0.46	60.10	59.70	2,509	15,152
Feb	58.50	-0.51	59.90	59.50	1,098	8,179
Total					41,846	148,358

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	176.25	+4.00	176.75	175.00	5,326	18,138
Sep	177.75	+4.25	178.25	176.50	6,429	17,436
Oct	179.25	+4.25	179.25	177.75	1,704	10,382
Nov	181.00	+4.50	181.00	179.25	292	5,800
Dec	181.00	+3.50	181.00	179.50	968	12,526
Jan	181.00	+3.25	180.50	179.50	143	7,773
Total					11,814	84,785

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	9.600	+0.040	-	-	-	420
Oct	11.175	+0.100	-	-	105	780
Total					635	5,065

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.350	-0.024	2.375	2.300	38,698	37,565
Oct	2.350	-0.018	2.380	2.329	15,914	23,881
Nov	2.455	-0.008	2.475	2.440	5,370	12,838
Dec	2.555	-0.010	2.575	2.550	4,263	15,723
Jan	2.575	-0.010	2.595	2.565	4,386	17,200
Feb	2.475	-0.010	2.495	2.470	2,300	11,447
Total					76,248	192,189

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	66.30	-0.44	66.65	66.10	23,445	43,340
Oct	61.10	-0.10	61.50	60.90	7,672	14,683
Nov	59.15	+0.05	59.40	58.75	1,894	8,310
Dec	58.40	+0.05	58.60	57.85	964	8,995
Jan	58.60	+0.30	58.60	57.75	632	7,551
Feb	58.57	-	-	-	26	1,934
Total					35,233	95,911

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	81.75	-0.25	81.75	81.75	10	232
Nov	84.50	-0.25	84.60	84.10	127	3,758
Jan	86.50	-0.25	86.50	86.25	45	2,355
Mar	88.50	-0.25	88.50	88.25	90	1,453
May	90.50	-0.25	90.50	90.25	15	838
Jul	92.50	-0.25	-	-	-	26
Total					287	8,662

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	353.25	-1.50	354.00	348.00	8,233	40,148
Dec	368.25	-1.25	369.00	363.00	16,004	44,626
Mar	378.50	-1.75	380.00	375.00	882	13,613
May	379.00	-2.50	380.50	376.50	76	1,310
Jul	375.50	-	376.00	368.50	222	4,700
Dec	391.00	-	-	-	1	1
Total					25,418	104,419

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	254.50	-9.25	263.25	254.00	21,411	57,303
Dec	257.25	-7.75	266.00	257.00	58,880	154,215
Mar	265.50	-7.50	273.00	265.25	2,872	32,742
May	269.50	-8.00	277.25	269.50	1,261	7,158
Jul	272.00	-8.50	280.00	272.00	923	11,952
Sep	259.50	-3.75	265.50	259.50	4	1,345
Total					85,897	270,934

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	77.25	-	-	-	-	78
Nov	79.55	-	79.55	79.25	55	1,087
Jan	81.55	-	81.50	81.50	15	260
Mar	83.55	-	83.50	83.25	17	161
May	84.75	-	-	-	-	9
Total					87	1,593

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	763.00	-2.25	768.00	755.50	5,087	12,270
Sep	668.00	-9.50	678.00	668.00	3,790	17,179
Nov	634.50	-11.75	647.50	631.00	40,438	75,442
Jan	639.25	-11.50	651.00	636.00	1,997	15,934
Mar	648.50	-10.50	659.50	644.50	497	5,108
May	654.25	-10.00	665.50	652.00	356	3,694
Total					52,526	133,564

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	21.68	-0.27	22.02	21.63	4,704	3,765
Sep	21.84	-0.28	22.30	21.78	6,703	20,733
Oct	22.00	-0.26	22.39	21.96	779	15,926
Dec	22.34	-0.25	22.72	22.27	6,788	42,977
Jan	22.49	-0.26	22.89	22.49	62	6,460
Mar	22.85	-0.17	23.15	22.80	134	4,718
Total					19,314	98,018

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	258.8	-1.5	261.0	257.3	5,273	11,900
Sep	232.3	-1.8	235.0	231.2	4,481	20,213
Oct	215.5	-4.2	219.0	214.1	1,516	15,651
Dec	210.2	-3.1	214.0	208.5	8,849	39,899
Jan	208.2	-2.1	211.5	206.8	501	5,917
Mar	206.3	-2.0	210.0	206.0	422	8,017
Total					21,203	107,734

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	8
Mar	103.0	-22.0	-	-	-	-
Apr	119.0	-18.0	132.1	118.0	292	1,277
May	129.0	-18.0	-	-	-	2
Jun	139.0	-18.0	-	-	-	-
Total					292	1,287

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1300	+5	1312	1299	31	808
Sep	1372	+12	1375	1370	35	506
Oct	1475	+10	1480	1473	114	1,490
Jan	1495	+20	1495	1495	10	235
Total					190	3,049

	Close	Prev
BFI	1280	1283

PULP AND PAPER

■ PULPEX OMLX ($8; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	538.00	-3.75	538.00	538.00	15	178
Dec	558.00	-2.00	558.00	558.00	20	83
Total					20	254

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
$ per lb unless otherwise stated. Antimony: 99.65%, $ per tonne, 1,935-2,000 (1,950-2,040). Bismuth: min. 99.99%, tonne lots 3.50-3.75 (3.60-3.85). Cadmium: min. 99.95%, cents a pound, 48.00-58.00. Cobalt: min. 99.8%, 22.30-23.20 (22.50-23.50); min. 99.3%, 19.20-20.00 (19.00-20.00). Mercury: min. 99.99%, $ per 76 lb flask, 150-160. Molybdenum: drummed molybdic oxide, 4.35-4.50 (4.40-4.50). Selenium: min 99.5%, 1.90-2.90. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-45 (45-55). Vanadium: min. 98%, CIF, 4.00-4.10 (3.98-4.02). Uranium: Nuexco 9.70.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1001	-12	1005	984	828	23,575
Dec	1033	-11	1038	1030	1,161	43,798
Mar	1055	-11	1059	1054	470	49,587
May	1070	-12	1075	1070	72	21,662
Jul	1087	-10	1093	1087	55	7,381
Sep	1103	-9	1104	1104	8	10,773
Total					2,888	177,131

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1483	-17	1504	1481	3,480	22,002
Dec	1529	-17	1549	1528	1,918	26,181
Mar	1563	-17	1580	1563	243	24,883
May	1583	-16	1590	1586	51	11,003
Jul	1603	-16	1609	1607	25	1,530
Sep	1623	-16	1620	1620	-	3,743
Total					5,954	106,998

■ COCOA (ICCO) (SDR's/tonne)

Aug 4	Price	Prev. day
Daily	1200.91	1206.48

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1656	-4	1675	1642	1,838	18,787
Nov	1655	-	1670	1643	1,611	14,174
Jan	1633	+3	1645	1618	620	6,168
Mar	1600	+5	1607	1590	55	1,647
May	1590	+5	-	-	-	90
Jul	1585	+5	-	-	-	20
Total					4,134	40,886

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	203.10	+9.35	204.50	192.00	4,424	9,328
Dec	174.70	+6.00	175.50	168.00	1,750	6,534
Mar	155.25	+3.70	158.00	150.50	365	3,336
May	148.50	+3.50	148.50	146.50	92	970
Jul	144.00	+3.50	145.50	140.50	110	633
Sep	139.50	+2.45	140.00	137.00	2	316
Total					6,747	21,195

■ COFFEE (ICO) (US cents/pound)

Aug 4		Prev. day
Comp. daily	139.25	137.88
15 day average	134.05	133.56

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	325.2	-1.0	326.1	323.1	1,251	15,210
Dec	322.1	+0.3	321.9	320.0	125	5,733
Mar	322.9	+0.2	323.0	321.0	263	7,152
May	321.6	+1.6	321.9	321.5	127	1,427
Aug	319.3	+2.1	319.2	319.2	10	917
Oct	309.6	-0.1	-	-	-	1,823
Total					1,776	32,332

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.61	+0.03	11.64	11.50	7,717	111.4k
Mar	11.77	-	11.80	11.71	3,496	58,347
May	11.72	-	11.73	11.66	534	12,619
Jul	11.64	-	11.61	11.57	367	7,317
Oct	11.55	-	11.55	11.50	158	3,104
Mar	11.49	+0.03	11.42	11.42	96	933
Total					12,368	193,743

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.83	-0.23	75.06	74.55	528	11,310
Dec	74.70	-0.14	74.90	74.40	3,500	42,955
Mar	75.93	-0.20	76.10	75.75	156	10,801
May	76.60	-0.18	76.70	76.70	18	2,771
Jul	76.98	-0.17	-	-	4	1,538
Oct	75.15	+0.05	-	-	21	560
Total					4,258	75,558

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	75.15	+0.05	75.65	74.80	782	16,427
Nov	77.10	-0.10	77.70	76.90	398	8,416
Jan	80.10	-0.10	80.70	80.00	255	3,940
Mar	83.10	-0.15	83.75	82.90	74	2,597
May	85.85	-0.15	86.55	86.00	29	712
Jul	88.50	-0.25	-	-	25	215
Total					1,561	32,413

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 5	Aug 4	month ago	year ago
1918.6	1926.6	1897.3	1934.2

■ CRB Futures (Base: 1967 = 100)

Aug 4	Aug 1	month ago	year ago
245.26	243.36		

■ GSCI Spot (Base: 1970 = 100)

Aug 4	Aug 1	month ago	year ago
198.00	194.52	181.15	198.04

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-550	to	625,750
Aluminium alloy	-120	to	54,780
Copper	+2,825	to	240,675
Lead	-175	to	119,775
Nickel	+108	to	54,414
Zinc	+1,900	to	399,500
Tin	-130	to	11,270

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	66.425	-0.875	67.200	66.350	4,907	17,691
Oct	69.500	-0.800	70.225	69.450	5,787	51,940
Dec	71.575	-0.550	72.075	71.550	2,470	20,887
Feb	72.950	-0.425	73.400	72.900	1,037	9,830
Apr	74.600	-0.425	75.000	74.575	344	3,774
Jun	71.425	-0.325	71.750	71.425	175	2,821
Total					14,724	107,292

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	80.850	-2.000	82.300	80.850	2,374	7,917
Oct	73.925	-2.000	75.450	73.925	4,401	18,862
Dec	69.675	-2.000	71.325	69.675	549	6,253
Feb	67.925	-2.000	69.600	67.925	141	2,347
Apr	64.175	-0.800	64.700	63.300	47	1,460
Jun	66.800	-1.525	68.325	66.800	7	790
Total					7,519	38,439

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	86.525	-2.625	88.800	86.275	1,526	2,370
Feb	75.550	-3.000	78.350	75.550	1,219	3,539
Mar	75.900	-3.000	77.300	75.900	40	93
May	75.200	-3.000	78.250	75.200	2	16
Jul	77.500	-1.500	-	77.500	2	15
Total					2,787	6,048

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1700	68	94	39	75
1750	43	71	64	102
1800	25	53	96	132
■ COPPER (Grade A) LME	**Sep**	**Nov**	**Sep**	**Nov**
2250	112	121	26	77
2300	78	94	42	100
2350	52	73	66	128
■ COFFEE LIFFE	**Sep**	**Nov**	**Sep**	**Nov**
1600	102	158	46	103
1650	76	136	70	131
1700	55	118	99	163
■ COCOA LIFFE	**Sep**	**Dec**	**Sep**	**Dec**
1000	25	81	24	48
1025	16	68	40	60
1050	10	59	59	76
■ BRENT CRUDE IPE	**Sep**	**Oct**	**Sep**	**Oct**
1900	-	-	14	51
1950	28	70	-	-
2000	11	46	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$18.13-8.32w	+0.20
Brent Blend (dated)	$19.41-9.43	+0.11
Brent Blend (Sep)	$19.38-9.40	+0.33
W.T.I.	$20.71-0.73w	+0.435
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$238-242	+8
Gas Oil	$177-179	+4
Heavy Fuel Oil	$86-88	+1
Naphtha	$192-195	+2
Jet fuel	$193-195	+4
Diesel	$180-182	+4.5
■ NATURAL GAS (Pence/therm)		
Bacton (Aug)	9.50-9.70	

Petroleum Argus. Tel. London (0171) 359 8792

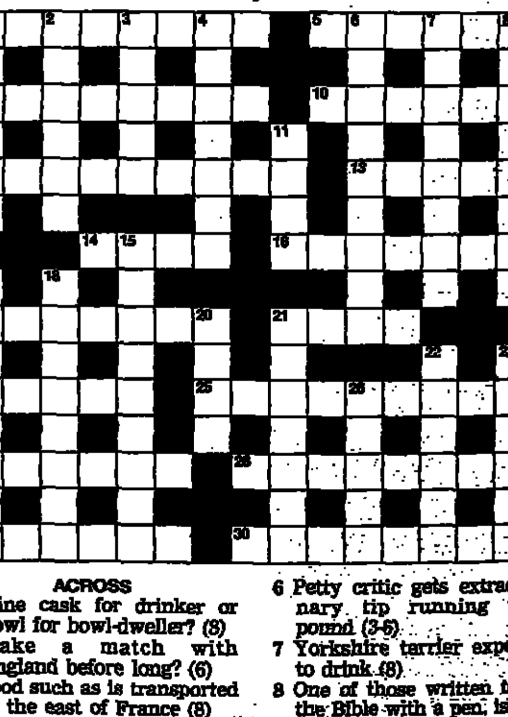
■ OTHER		
Gold (per troy oz)♣	$319.75	-4.10
Silver (per troy oz)♣	440.00c	-9.00
Platinum (per troy oz.)	$457.00	+9.00
Palladium (per troy oz.)	$239.00	
Copper	112.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.28r	-0.01
Tin (New York)	261.5	-2.0
Cattle (live weight)	98.20p	-0.13*
Sheep (live weight)	109.70p	+2.42*
Pigs (live weight)†	77.69p	-4.78*
Lon. day sugar (raw)	$282.30	-1.50
Lon. day sugar (wte)	$343.60	+0.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	62.75p	
Rubber (Oct)♥	62.75p	
Rubber (KL RSS No1)	250.5x	
Coconut Oil (Phil)§	555.0y	-5.0
Palm Oil (Malay.)§	487.5z	+2.5
Copra (Phil)§	$385.0y	+2.5
Soyabeans (US)	210.0	-3.0
Cotton Outlook'A' Index	81.50c	-0.05
Wooltops (64s Super)	419p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,118 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,446 Set by CINEPHILE



ACROSS
1 Wine cask for drinker or bowl for bowl-dweller? (8)
5 Make a match with England before long? (6)
9 Food such as is transported in the east of France (8)
10 Formality with a brilliant companion (6)
12 Catch both teams operating yards apart? (6-3)
13 Try leaving work for the river (5)
14 Something wrong, as in — (1,3)
16, 19, 21 Harper Lee's book: to give cat drink, go and boil milk (2,4,1,11)
24 Don't preserve loot (5)
25 Bulldogs are out in case there's trouble (9)
27 Female part of wild flower (6)
28 Federal capital and half commonwealth country are British with a difference (8)
29 Artist with lathe? (6)
30 Bishopric without a catholic king? I don't know (6,2)

DOWN
1, 2 Nicely wrapped parcel costs a lot of money (6,6)
3, 23 Bishops supply Christmas trees with a will (5,6)
4 Add butter to reduce (7)
6 Petty critic gets extraordinary tip running into pound (3-6)
7 Yorkshire terrier exposed to drink (8)
8 One of those written to in the Bible with a pen, is he? (8)
11 See 20
15 Picture in the old dog? (5,4)
17 Break a strike with great success (5,3)
18 Drink at sea? (8)
20, 11 Cook pottages in confidence between us and it (4-4)
21 Musicians have time for dressing (7)
22, 23 The FT (us) are to represent it (6,6)
26 Trunk to be put in transport (6)

Solution 9,445

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FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR 0171-626 6226

	Init Charge	Selling Price	+ or -	Yield Gr's
Relative Value H		£1.0335	—	—
UK Equity Income	4½	104.88	+0.63	4.57
UK Equity Income	4½	DM3.21	+0.03	4.57
UK Equity Income	4½	51.71	+0.01	4.57
UK Equity Income	4½	Pta271.1	+3.10	4.57
UK Equity Income	4½	FFr10.83	+0.12	4.57
Sterling Reserve	0	101.23	+0.13	5.05
Deutschmark Reserve	0	.999	—	—
Dollar Reserve	0		(2)	—
Corporate Income	4½	99.67	+0.38	5.82
Corporate Income	4½	DM3.05	+0.02	5.82
Corporate Income	4½	$1.62	+0.01	5.82

	Selling Price	Buying Price	+ or -	Yield Gross
CFF Interest Rate Arbitrage Fund Plc				
NAV	$11.23		—	0.00
Calpine Fund				
NAV	$110.00		+0.05	—
Capital Vision Fund Plc				
NAV	$3.37		-0.27	—
Chemical Ireland Fund Administrators Ltd				
Nikko East Asia Class A	$11.8387		—	—
Nikko East Asia Class B	$11.6912		—	—
Taj Performance	$8.95		—	—
Citi Investment Fund (Ireland)				
Citi Korea Equity	$7.03		-0.05	—

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Cost £450/US$765 Published: June 1997

Singer & Friedlander Inv Funds Ltd - Contd.

	Init Charge	Selling Price	+ or -	Yield Gr's
Corporate Income	4½	Pta257.8	+2.40	5.82
Corporate Income	4½	FFr10.29	+0.08	5.82
Tai Pan	4½	125.72	-0.17	—
Tai Pan	4½	DM3.84	+0.01	—
Tai Pan	4½	Pta324.9	+1.30	—
Tai Pan	4½	$2.05	—	—
Tai Pan	4½	FFr12.98	+0.05	—
Aztec	4½	93.61	-0.33	—
Aztec	4½	DM2.86		—
Aztec	4½	Pta241.9	+0.40	—
Aztec	4½	$1.52	-0.01	—
Aztec	4½	FFr9.65	+0.01	—

Citizens Investment Trust Mngt Company
CITC Select Fund Plc

	Selling Price	Buying Price	+ or -	Yield Gross
Auto Shares	$8.15		—	—
Chemical Shares	$5.04		—	—
Electron Shares	$5.30		—	—
Finance Shares	$8.00		—	—
Steel Shares	$4.38		—	—
Telecom Shares	$10.09		—	—
CoreStates Fund Management (Ireland) Ltd				
CoreFund Sterling Cash	£1.000		—	6.78

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 00 352 404646211

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Pfolio		Ecu25.23		-0.04	-
European Multinational Pfolio		$28.50		-0.16	-
European Multinational Pfolio		£16.28		-0.1	-
European Multinational Pfolio		L48732		-67	-
European Multinational Pfolio		DM49.82		-0.1	-
Global Multinational Pfolio.		Ecu24.08		-0.03	-
Global Multinational Pfolio.		$25.28		-0.16	-
Global Multinational Pfolio.		£15.53		-0.09	-
Global Multinational Pfolio		L48487		-49	-
Global Multinational Pfolio.		DM47.50		-0.09	-
US Growth Companies		$17.86		+0.07	-
US Growth Companies		£11.04		+0.05	-
US Growth Companies		L33005		+281	-
US Growth Companies		DM33.74		+0.28	-
US Real Estate Securities		$15.91		-0.04	-
US Real Estate Securities		£9.78		-0.02	-
US Real Estate Securities		L29258		+73	-
US Real Estate Securities		DM29.91		+0.05	-

BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

Interemption Nav Jul 15 F		$861.32		-1.10	-
Interportfolio Fund					
Convertible (US$) Jul 16		$775.54		—	-
Convertible (FFr) Jul 16 F		FFr3948.47		—	-
Corafon (US$) 2		$540.63		-	-

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 0041 31 3297111

UK Equity		£17.40		-0.02	-
UK Smaller Co's Eqty		£25.40		+0.02	-
Nth American Equity		$17.77		-0.03	-
US Smaller Co's Eqty		$24.87		+0.06	-
Pacific Basin Equity		$16.27		-0.06	-
Japanese Equity		Y573		-6	-
European Equity		DM9.38		-0.28	-
Swiss Equity		SFr8.88		-0.32	-
Sterling Fixed Int		£14.95		-0.05	-

Frontrunner I (x)

672 rue de Neudorf, Luxembourg

European Equities · Global Bonds · Global Bonds · Sterling Fund · Danish Bonds · Swedish Bonds · German Bonds · Dollar Bonds · Scandinavian Equities · Far East Equities · North American Equities · Danish Kroner Reserve · Swedish Kroner Reserve · German Mark Reserve · US Dollar Reserve · ECU Reserve · Norwegian Kroner · Bonds 2/1998 · Bonds 2/1998 · Bonds 2/1999 · Danish Mortgage · Danish Long Bonds

GT Global

(44) 171 710 4567

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OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority

Guernsey - Financial Services Commission

Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment

Isle of Man - Financial Supervision Commission

Jersey - Financial Services Department

Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.

Selling price - Bid or redemption price.

Buying price - Offer or issue price.

OEIC - Open Ended Investment Company.

Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(♥) 0001 to 1100 hours

(♣) 1101 to 1400 hours

(♠) 1401 to 1700 hours

(♦) 1701 to midnight

E Exit charge on sale of units.

C Manager's periodic charge deducted from capital.

H Historic pricing F - Forward pricing

h Distribution free of UK taxes.

p Periodic premium insurance plans.

s Single premium insurance.

m Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).

x Offered price includes all expenses except agent's commission.

z Previous day's price

§§ Guernsey gross.

♦ Yield before Jersey tax.

† Ex-subdivision xd - Ex-dividend

‡ Only available to charitable bodies

Φ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣N	443½	+1	482	407½	[illegible]	6.1	13.3
Bulmer (HP)	♣	427½	—	628	410	225.7	4.3	11.7
Burn Stl Dist	♣	41½	—	101	40½	24.8	10.2	10.3
Glenmorangie A		950	—	1040	740	129.2	1.7	23.5
B		1075	—	1149	965	43.0	0.8	53.1
Grand Met	♣♦†N	581xd	+1½	631	425½	12,464	3.2	19.0
Guinness	♣♦	595	—	627	[illegible]	11,985	3.4	16.7
Highland	♣†	322	-½	380	321½	429.5	3.1	15.1
5¾pc Cnv Bds		89¼	—	101½	87	43.7	6.4	-
Kirin Y		682	[illegible]	739¼	468¼	8,809	1.1	-
Matthew Clark	♣	236½xd	-1	790	233½	298.3	12.7	7.5
Merrydown	♣	60xd	-½	122½	52½	8.54	6.5	14.8
Seagram C$		£23⅛	-⅛	£25⅛	£21½	8,309	1.3	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe C$	♦	12¼	-¼	12⅜	10½	2,838	4.3	
Western Star Trucks C$		18⅜	—	21⅞	14⅞	211.4	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27¾	—	£27¾	£20¼	2,081	2.6	ϕ
Barlow	♣†	£7½	+⅛	£7⅞	£5⅝	1,811	7.8	16.6
Gold Flds Prop R	†	185	+½	188½	122	18.9	4.6	14.4
SA Brews		£19⅝	+⅝	£19⅞	£13¾	5,722	2.0	ϕ
Standard Bank		£28⅞	+¾	£30	£21	3,464	1.9	ϕ
Tiger Oats	†	1040	+10	1100	790	1,572	1.8	20.2
Tongaat-Hulett		798½	+1½	798½	676½	734.6	2.5	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

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Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR headline Earnings formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other offical estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1997.
K Yield based on prospectus or other offical estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

FTSE 100 threatens all-time closing high

MARKET REPORT

By Philip Coggan, Markets Editor

A series of well-received announcements from UK corporates helped the FTSE 100 index romp ahead, on a day when nervousness about a rise in interest rates might have been expected to weigh on sentiment.

Figures from BP and BAA both led to sharp rises in the companies' share prices, with the strength of the former adding 13 points to Footsie. And Pearson continued to benefit from the bullish statement that accompanied Monday's results.

For once, a bank let the side down. After sharp rises in the shares of HSBC and Lloyds TSB on the back of their results, NatWest disappointed investors when it played down merger hopes as it published its figures.

On balance, however, the corporate news was positive and allowed investors to ignore some unfavourable factors. Sterling rose another 1¾pfgs against the D-Mark while the benchmark 10-year gilt lost around a third of a point. On Wall Street, the Dow Jones Industrial Average was 32 points lower when London closed.

None of this deterred Footsie, which started the day strongly and never looked back. The leading index opened up 26 at 4,921.7, which turned out to be the day's low. By the close, it had risen 64.9 to 4,960.6, only 3.6 points off the all-time closing record, set on July 16.

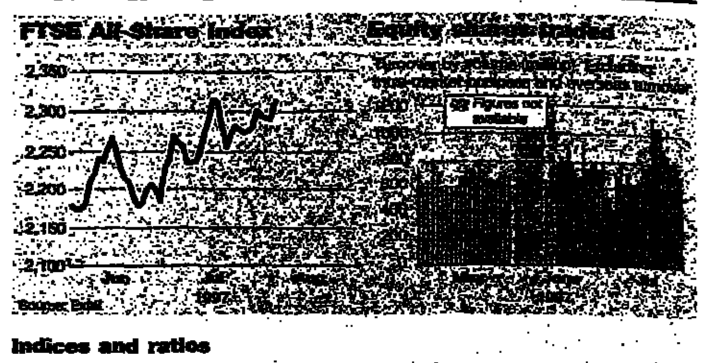
Significantly, small and medium-sized stocks once again lagged the leaders. The FTSE 250 index gained just 13.6 to 4,498.6, while the SmallCap index edged a mere 0.5 points higher to 2,189.1. Volume was a healthy 945.2m shares by the 6pm count.

Mr Stuart Weatherby, UK economist at Panmure Gordon, said: "Again, it seems to be overseas buying of the larger stocks, notably pharmaceuticals and oils, pushing the market higher. Given that people are talking about a rate rise this week, it does seem a bit strange, but at the end of the day, you can't argue with liquidity."

A larger than expected rise in industrial production in June added fuel to the debate about whether the monetary policy committee of the Bank of England will agree to raise interest rates when it meets today. (The committee's decision will be announced tomorrow.)

In contrast, the Confederation of British Industry's regional trends survey continued to show weakness in exports and manufacturing orders. And there was a slight drop in the rate of expansion in the service sector in July, according to a report from the Chartered Institute of Purchasing and Supply.

Analysts were divided on the implications of the figures. Mr Simon Briscoe, UK economist at Nikko Europe, said: "Services growth is still strong, but the survey has sufficient evidence to support a decision by the Bank to leave rates on hold on Thursday." But Mr David Bloom of HSBC James Capel said: "On balance, we expect the MPC to raise rates by a quarter of a point on Thursday, putting a seven in front of base rates for the first time since January 1993."



Indices and ratios

FTSE 100	4960.6	+64.9	FT 30	3117.0	+35.5
FTSE 250	4498.6	+13.6	FTSE Non-Fins p/e	19.37	19.08
FTSE 350	2373.4	+26.6	FTSE100 Fut Sep	4905.0	+34.0
FTSE All-Share	2314.74	+24.34	10 yr Gilt yield	7.16	7.11
FTSE All-Share yield	3.38	3.41	Long gilt/equity yld ratio	2.12	2.09

Best performing sectors

1 Oil: Integrated .... +3.9
2 Mineral Exploration .... +3.3
3 Life Assurance .... +2.9
4 Electronic & Elect .... +2.8
5 Retailers: Food .... +2.5

Worst performing sectors

1 Telecommunications .... −0.9
2 Leisure & Hotels .... −0.7
3 Health Care .... −0.4
4 Household Goods .... −0.3
5 Utilities .... −0.2

Triple boost for BP

By Peter John, Joel Kibazo and Jean Eaglesham

BP, the first of the two UK oil majors to report this week, surprised investors with a triple layer of positive news.

And a 4.8 per cent rise in the shares was responsible for 13 points on the Footsie.

First, but least important, was the headline second-quarter profit figure.

Replacement cost income came in at £738m, well above a wide range of analysts' forecasts, which stretched from £580m to £690m, and above the previous figure of £587m.

Second, the profit boost was accompanied by an increase in the dividend.

Many analysts had pencilled in a flat dividend for the quarter because of the slack underlying oil price.

But the company raised it from 5.25p to 5.5p.

Finally, BP came up with the clincher – an intention to repurchase some of its own stock. Analysts believe the company would be prepared to spend up to $1bn in buy-backs.

HSBC James Capel was reported to have raised its current year net income forecast by 7 per cent to £2.9bn.

Mr John Toalster, of SocGen, said: "The company showed that it is keen to grow shareholder value by share buy-backs and improved dividend payments of cash following the example set by Exxon of the US."

The effect was a sharp rise of 39½ to 861½p in the share price - a new closing peak – on turnover of 10m.

Shell Transport, which reports tomorrow, added 13½ at 458p in sympathy.

Meanwhile Lord Simon, the trade minister embroiled in controversy over his BP stake, announced he was selling the shares and would donate part of the profits to charity.

When banks report, they tend to tell the same story. But National Westminster bucked the recent trend as it released figures that lived up to pessimistic forecasts.

NatWest had signalled that its interim profits would be no higher than £770m and they came in broadly in line.

The dividend, at 10.6p, was up 10 per cent but below some forecasts and though the meeting with analysts did not disappoint, it still failed to enthuse.

However, both the apologists and critics said much of yesterday's slide of 35 to 835p – the worst performance in the Footsie – reflected the fading away of bid premium.

UBS retained its buy stance on the basis that "given the valuation we are happy to be buyers".

But persistent bear Mr Neil Baker at Dredsner Kleinwort Benson, has further lowered his earnings forecasts for 1998, arguing that with "material ongoing losses and worsening fundamentals, the valuation is still unattractive".

He has cut next year's earnings per share forecasts by 5 per cent to 62.5p.

Defence electronics group GEC gained 17½ to 361½p after it announced the appointment of Mr John Mayo as its finance director from October.

Mr Mayo was involved in the break-up of ICI and there was speculation that he might have come to GEC to help unlock shareholder value there.

There was also a positive presentation by the company's managing director at ABN Amro Hoare Govett, on Monday evening.

The announcement that a £36m stake in Govett Oriental investment trust had changed hands fueled rumours that the trust could come under attack from US arbitrageurs and sent the share price up 3¼ to 180½p.

Govett Oriental is in the same sector as Fleming Far Eastern, which last week announced proposals to wind itself up because the investment remit "no longer makes sense".

General Accident led the insurance sectors after HSBC James Capel recommended the stock.

Dealers said Capel pointed out the insurer's share price underperformance relative to the sector over the past month. Since the end of June, Commercial Union has risen 9 per cent and Royal & Sun Alliance 11 per cent compared to General Accident's rise of only 4 per cent. GenAcc gained 30 to 939½p, CU 7¼ to 689½p and Royal Sun 18 to 510½p.

Turnover in BT rose to 58m, the busiest Footsie stock of the session, with dealers citing an overnight trade in American Depositary Receipts.

Marketmakers also spoke of a broker-to-broker trade of 35.8m shares executed at 416p a share.

BT eased 6½ to 417½p.

ICI has risen 25 per cent in the past month. But NatWest Securities believes the shares have further to go.

The broker raised its forecast to "add", pointing out that, with a clutch of assets still up for sale, the risk of buying Unilever's speciality chemicals arm for £5bn looked pretty well discounted. ICI rose 8 to £10.28.

Among the second-liners, Laporte lifted 4 to 636p. Sutherlands, the broker, has a "buy" stance on the stock, arguing that it offers excellent value but has "yet to participate seriously in the sector rally".

However, Inspec failed to respond to interim profits of £24.6m and slipped 4½ to 186p.

The profit figure was above the consensus forecast but there had been a couple of days of steady buying ahead of the announcement.

Burmah Castrol lifted 24 to £10.67½ after encouraging figures from Castrol India. London Clubs was the worst performer in the FTSE 250 – dropping 16 to 386½p – after the government decided to block the company's takeover of Capital Corporation – off 19 to 165p.

Buying ahead of today's interim figures saw engineering group GKN appreciate 24½ to £10.86.

Engineering group Smiths Industries hardened 9 to 804½p, as the market registered its approval of Graseby, the electronic and electrical equipment group, Smiths' latest acquisition. Graseby rose 58 to 207½p.

Household goods group Reckitt & Colman is now the subject of a two-way pull.

The shares moved strongly ahead on Monday as investors responded to a recommendation by SocGen.

Yesterday SBC Warburg took a contrary view and downgraded the stock to "hold" from "buy" on valuation grounds. The shares retreated 4 to 981½p.

Pearson, the media conglomerate that owns the Financial Times, jumped almost 7 per cent as the market reacted further to the company's commitment to achieve double-digit earnings growth and double the value of the group within five years.

ABN Amro Hoare Govett has moved its recommendation on the shares from "hold" to "buy". The shares gained 47½ to 740p.

FT 30 INDEX

	Aug 5	Aug 4	Aug 1	Jul 31	Jul 30	Yr ago	*High	*Low
FT 30	3117.0	3081.5	3092.2	3101.6	3110.5	2770.3	3128.1	2666.8
Ord. div. yield	3.50	3.54	3.53	3.52	3.52	4.10	4.22	3.50
P/E ratio net	18.47	18.25	18.30	18.36	18.36	16.33	18.98	15.80
P/E ratio nil	18.28	18.06	18.12	18.17	18.17	16.17	18.78	15.71

FT 30 since compilation: high 3128.1 16/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3098.3	3103.0	3102.1	3105.3	3106.3	3101.4	3100.8	3104.5	3112.5	3117.0	3098.2

	Aug 5	Aug 4	Aug 1	Jul 31	Jul 30	Yr ago
SEAQ bargains	47,544	46,965	48,956	46,124	44,714	31,412
Equity turnover (£m)†	-	NA	2854.5	NA	NA	2159.8
Equity bargains†	-	NA	43,311	NA	NA	37,678
Shares traded (ml)†	-	NA	833.5	NA	NA	628.0

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	744	Total Highs	92	Total contracts	33,363
Total Falls	629	Total Lows	78	Calls	20,137
Same	1,708			Puts	13,226

Aug 5 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4933.0	4949.0	+49.0	4976.0	4923.0	8460	72985
Dec	5000.0	5013.0	+50.0	5024.0	5000.0	627	5127
Mar	-	5057.0	+49.0	-	-	0	91

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4539.0	+13.0	-	-	0	7115

FTSE 100 INDEX OPTION (LIFFE) (*4957) £10 per full index point

	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P
Aug	157	17½	115	28	79½	45½	51½	68½	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	216	65	180	80	149½	101	119½	123½	96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	255	89½	222½	108	193	129½	164	151½	138½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	298	120	267½	139	237	159	208½	179½	181	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†	335½	126½			272½	165½			213½	[illegible]			[illegible]	[illegible]		

Calls 7,906 Puts 2,263

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P
Aug	178½	13½	129	22½	92	35	61½	54½	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	230½	58½	195	72½	163½	90	134½	110½	108	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	271	81½	236½	95	204	113	175	133½	149½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec			315	132			253	167½			[illegible]	[illegible]				
Mar†			391	169½			338	204			[illegible]	[illegible]				

Calls 4,604 Puts 8,565 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	4,663	225	220½	Billiton	224	+½	RQ10c	1.6	2.7	22.6
-	F.P.	134.7	108½	101	Bristol & W Prf	107¾	-½	-	-	-	-
§100	F.P.	25.0	122½	109½	Cammell Laird	117½		L3.8	2.1	4.0	11.3
§260	F.P.	15.9	275	265	Delcam	269		L2.5	4.4	1.2	24.9
	F.P.	-	116	114	EMI B	115		22.75	-	3.1	-
§3	F.P.	4.61	3¾	3½	†Fairplace Cnstg	3¾		-	-	-	-
§-	F.P.	8.56	65	65	†GR Holdings	65		-	-	-	-
§150	F.P.	236.5	202	162½	Galen Hldgs	195	-2½	L0.9	5.7	0.6	31.4
§	F.P.	22.0	162½	117½	Gremlin Group	117½		R3.5	3.2	3.7	9.1
§125	F.P.	6.19	135	105½	†Helicon Publng	105½		-	-	-	-
§135	F.P.	63.0	149½	142½	Hitachi Cred UK	148½		L4.3	1.4	3.6	24.5
§	F.P.	575.0	396½	382	Ionica	383½	-2	-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.6
§173	F.P.	46.2	217½	185½	Metroline	215	-1½	R5.8	2.8	3.4	12.9
100	F.P.	32.7	112½	98½	Rexbourne Martin	108½		-	-	-	-
§100	F.P.	7.49	120½	105½	†SBS Group	105½		L2.4	2.0	2.8	18.6
§	F.P.	57.8	140½	136½	Ted Baker	140		L3.49	0.1	3.1	-
	F.P.	-	22¾	19½	Thorn B	20½		-	-	-	-
-	F.P.	79.5	67½	62½	Vigien Tech	65	+½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 4	% chg on day	Aug 1	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index(31)	1404.32	-0.2	1407.81	2040.21	2.26	-	2074.61	1270.14
Regional Indices								
Africa (14)	1397.29	+0.2	1394.89	2698.19	5.53	23.02	2775.96	1324.06
Australasia (6)	1556.48	-0.6	1565.80	2314.90	3.39	18.00	2455.10	1336.10
North America (11)	1400.61	-0.3	1404.93	1817.96	1.00	71.11	1861.48	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market closed 4/8/97: Canada.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 5	Day's chge%	Aug 4	Aug 1	Jul 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4960.6	+1.3	4895.7	4899.3	4907.5	3788.4	3.32	2.19	17.22	92.36	2118.98
FTSE 250	4498.6	+0.3	4485.0	4486.4	4492.0	4283.5	3.69	1.62	20.88	97.42	1883.92
FTSE 250 ex IT	4489.4	+0.3	4475.5	4476.7	4480.5	4325.9	3.84	1.65	19.66	100.50	1885.64
FTSE 350	2373.4	+1.1	2346.8	2348.5	2352.0	1895.6	3.39	2.07	17.80	45.55	2071.51
FTSE 350 ex IT	2374.6	+1.2	2347.4	2349.1	2352.4	-	3.41	2.09	17.57	13.32	1062.85
FTSE 350 Higher Yield	2267.6	+0.9	2246.5	2249.9	2260.5	1830.6	4.61	1.78	15.22	54.40	1677.93
FTSE 350 Lower Yield	2479.9	+1.3	2448.2	2448.5	2445.8	1968.0	2.40	2.53	20.61	36.19	1770.29
FTSE SmallCap	2189.06	......	2188.64	2188.73	2188.44	2108.04	3.26	1.74	22.05	42.67	1863.35
FTSE SmallCap ex IT	2145.65	......	2145.22	2144.12	2141.40	2097.94	3.56	1.82	19.29	45.94	1842.46
FTSE All-Share	2314.74	+1.1	2290.40	2291.97	2295.18	1873.16	3.38	2.05	18.02	44.45	2050.54
FTSE All-Share ex IT	2315.71	+1.1	2290.64	2292.07	2294.98	-	3.42	2.07	17.66	13.32	1055.12

FTSE Actuaries Industry Sectors

	Aug 5	Day's chge%	Aug 4	Aug 1	Jul 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4918.65	+3.3	4761.90	4730.85	4820.50	3541.63	3.13	1.95	20.44	85.78	2201.90
12 Extractive Industries(5)	4148.83	+1.0	4107.36	4114.52	4142.83	4106.18	3.79	2.38	13.83	104.80	1268.16
15 Oil, Integrated(3)	5239.72	+3.9	5042.60	5001.87	5114.57	3634.75	3.22	1.88	20.65	90.43	2411.49
16 Oil Exploration & Prod(12)	3816.14	+0.3	3804.93	3798.02	3800.14	2524.91	1.50	2.23	37.30	38.65	2336.44
20 GEN INDUSTRIALS(263)	1928.00	+0.9	1910.61	1911.49	1912.48	1985.78	4.15	1.91	15.75	44.83	1103.55
21 Building & Construction(35)	1307.83	-0.1	1309.43	1308.91	1308.96	1129.37	3.41	1.95	18.80	26.37	1138.71
22 Building Matls & Merchs(30)	1790.41	+0.4	1783.52	1786.47	1784.89	1847.32	4.51	2.82	9.84	42.27	946.53
23 Chemicals(26)	2606.70	+0.8	2584.77	2579.71	2583.60	2381.29	3.94	1.61	19.72	59.84	1298.10
24 Diversified Industrials(15)	1313.28	+1.3	1296.65	1303.59	1307.83	1503.86	5.68	1.97	11.18	39.67	779.93
25 Electronic & Elect Equip(37)	2038.95	+2.8	1983.01	2002.72	2008.02	2306.49	4.02	1.56	19.88	48.23	1108.37
26 Engineering(66)	2582.21	+0.5	2570.27	2562.31	2561.78	2417.80	3.25	2.33	16.51	47.44	1627.41
27 Engineering, Vehicles(13)	2871.46	+1.0	2844.32	2820.40	2822.27	3056.94	3.58	‡	‡	54.42	1545.77
28 Paper, Pckg & Printing(27)	1954.07	+1.1	1933.30	1932.50	1918.33	2582.22	5.40	1.80	12.85	61.09	855.60
29 Textiles & Apparel(14)	1010.20	+0.2	1008.38	1011.15	1017.62	1263.72	6.93	0.99	18.26	41.87	664.79
30 CONSUMER GOODS(85)	4676.73	+1.1	4625.81	4631.44	4635.66	3602.83	3.28	1.82	20.95	94.56	1806.64
32 Alcoholic Beverages(7)	3304.13	+0.1	3299.54	3301.43	3312.11	2778.85	3.82	1.98	16.51	90.38	1261.38
33 Food Producers(25)	3075.53	+0.5	3060.24	3048.71	3031.66	2508.68	3.61	1.84	18.77	69.99	1458.25
34 Household Goods(17)	3154.87	-0.3	3163.43	3117.54	3079.90	2545.21	3.23	2.32	16.72	54.26	1297.23
36 Health Care(15)	2256.64	-0.4	2265.62	2256.97	2242.71	2016.26	2.71	1.66	27.68	36.49	1417.43
37 Pharmaceuticals(18)	7717.72	+1.7	7585.97	7617.11	7617.99	5275.29	2.40	1.72	30.26	113.38	2712.23
38 Tobacco(3)	4251.68	+1.2	4200.12	4211.48	4298.74	4303.21	6.62	1.81	10.44	158.73	1134.54
40 SERVICES(272)	2711.16	+0.8	2689.02	2694.39	2701.22	2487.04	2.96	1.97	21.43	50.46	1465.33
41 Distributors(30)	2733.10	......	2733.87	2734.06	2736.38	2720.43	3.43	1.85	18.66	54.79	1048.55
42 Leisure & Hotels(31)	3209.39	-0.7	3233.22	3223.05	3209.73	3125.10	2.90	1.64	23.39	69.88	1781.97
43 Media(43)	4132.86	+1.6	4069.31	4073.36	4099.49	4115.94	2.42	1.93	26.85	71.72	1539.72
44 Retailers, Food(15)	2444.38	+2.5	2384.74	2387.99	2370.46	1995.75	3.40	2.26	16.30	47.61	1628.56
45 Retailers, General(53)	2188.74	+0.1	2186.12	2189.52	2194.40	2074.76	3.23	2.04	19.01	44.62	1306.18
47 Breweries, Pubs & Rest.(22)	3347.47	-0.2	3353.77	3349.60	3349.55	3097.72	3.39	2.28	16.17	62.74	1874.27
48 Support Services(55)	3008.09	+0.6	2989.70	2996.85	2996.54	2388.91	1.71	2.47	29.47	28.43	1960.82
49 Transport(23)	2840.82	+1.5	2799.05	2832.37	2874.99	2375.73	3.53	1.29	27.41	59.76	1240.33
60 UTILITIES(31)	3006.36	-0.2	3013.53	3033.32	3068.59	2305.72	4.69	1.50	17.75	51.56	1388.61
62 Electricity(9)	3331.39	+0.2	3324.87	3349.29	3385.48	2432.78	5.33	2.01	11.66	92.77	1882.28
64 Gas Distribution(2)	2222.23	+0.5	2212.14	2205.41	2279.43	1300.42	5.49	‡	‡	54.50	1258.23
66 Telecommunications(8)	2331.30	-0.9	2352.29	2365.44	2379.50	1951.74	3.80	1.68	19.46	10.90	1105.78
68 Water(12)	2854.32	+0.5	2838.82	2886.19	2923.75	2196.24	5.77	2.27	9.54	90.86	1709.19
69 NON-FINANCIALS(671)	2312.44	+1.1	2287.26	2289.52	2301.78	1973.12	3.52	1.83	19.37	44.63	1839.63
70 FINANCIALS(106)	4666.35	+1.1	4616.72	4614.49	4562.99	3045.02	3.12	2.88	13.92	91.28	2107.75
71 Banks, Retail(10)	7314.83	+0.8	7253.88	7241.18	7120.38	4339.28	2.83	3.35	13.20	128.43	2508.52
73 Insurance(17)	1602.57	+2.1	1765.53	1778.14	1784.38	1464.65	4.83	2.79	9.27	55.61	1441.57
74 Life Assurance(7)	4913.81	+2.9	4775.40	4768.94	4708.87	3484.87	3.56	1.95	17.95	121.00	2148.37
77 Other Financial(28)	3263.47	......	3262.34	3278.56	3305.04	2524.06	3.22	1.99	19.53	63.75	1946.14
79 Property(44)	2012.97	+0.9	1994.40	1991.90	2005.63	1588.74	3.21	1.33	29.35	35.24	1295.36
80 INVESTMENT TRUSTS(127)	3485.92	+0.1	3482.47	3491.65	3509.86	3107.70	2.18	1.17	49.04	45.09	1251.50
89 FTSE All-Share(904)	2314.74	+1.1	2290.40	2291.97	2295.18	1873.16	3.38	2.05	18.02	44.45	2050.54
105 FTSE All-Share ex IT(777)	2315.71	+1.1	2290.64	2292.07	2294.98	-	3.42	2.07	17.66	13.32	1055.12
FTSE Fledgling	1235.64	-0.2	1237.85	1237.72	1237.70	1219.13	3.27	0.93	41.33	24.34	1339.65
FTSE Fledgling ex IT	1232.40	-0.2	1235.27	1234.50	1233.22	1233.40	3.65	0.92	37.26	24.66	1338.28
FTSE AIM	1013.9	-0.3	1016.7	1016.8	1014.9	-	1.06	0.79	80.00†	4.62	930.07

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4921.7	4930.2	4927.6	4936.1	4946.0	4937.6	4937.4	4942.9	4957.2	4960.6	4921.7
FTSE 250	4486.3	4490.3	4492.9	4492.2	4493.4	4494.3	4494.8	4497.0	4498.8	4498.9	4486.1
FTSE 350	2357.0	2360.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FTSE 100 Day's high: [illegible] Day's low: [illegible]. Time of FTSE All-Share Day's high: [illegible] Day's low: [illegible].

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown.
‡ Values are negative. Deletion: Bridon (FTSE SmallCap & 26).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

Stock	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

CONTRACTS & TENDERS

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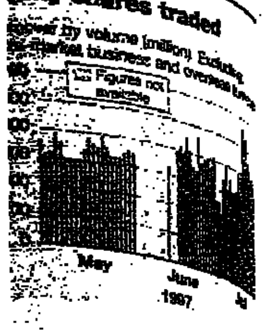

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

US INDICES

Dow Jones	Aug 4	Aug 1	Jul 31	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8198.45	8194.04	8222.61	8254.89 (30/7)	6391.69 (11/4)	8254.89 (30/7/97)	41.22 (8/7/32)
Home Bonds	104.13	104.42	104.70	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2976.49	2951.30	2992.11	2992.11 (31/7)	2222.07 (2/1)	2992.11 (31/7/97)	13.23 (8/7/32)
Utilities	232.90	233.49	235.56	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8261.40 (8287.64) Low 8097.65 (8062.11) (Theoretical)
Day's high 8216.11 (8247.69) Low 8134.11 (8103.45) (Actual)

Standard and Poors	Aug 4	Aug 1	Jul 31	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	950.30	947.14	954.29	954.29 (31/7)	737.01 (2/1)	954.29 (31/7/97)	4.40 (1/6/32)
Industrials	1117.64	1112.26	1118.81	1118.81 (31/7)	865.42 (11/4)	1118.81 (31/7/97)	3.52 (30/6/32)
Financial	109.85	110.21	111.88	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	491.93	490.98	494.50	494.50 (31/7)	389.47 (11/4)	494.50 (31/7/97)	4.64 (25/4/42)
Amex Comp.	646.59	644.19	648.30	648.59 (4/8)	541.20 (28/4)	646.59 (4/8/97)	524.20 (15/7/96)
NASDAQ Cmp	1605.45	1594.33	1593.81	1605.45 (4/8)	1201.00 (2/4)	1605.45 (4/8/97)	54.87 (3/10/74)

RATIOS

	Aug 1	Jul 25	Jul 18	Year ago
Dow Jones Ind. Div. Yield	1.58	1.60	1.64	2.20
	Jul 30	Jul 23	Jul 16	Year ago
S & P Ind. Div. yield	1.48	1.50	1.50	2.10
S & P Ind. P/E ratio	26.05	25.77	25.78	21.35

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Chespk En	7,163,200	7[illegible]	+[illegible]
Micron Tc	6,118,700	51[illegible]	+1[illegible]
Unisys	5,920,900	11	-[illegible]
US West Md	6,653,100	23[illegible]	+1[illegible]
AT & T	5,625,900	37[illegible]	+¼
US Filter	5,607,800	34[illegible]	+3[illegible]
GEC	5,339,500	67[illegible]	-1[illegible]
ColumbiaH	4,609,200	33¼	+[illegible]
Pn Morris	4,422,200	44½	-½
Gen Motors	4,376,000	62[illegible]	-1[illegible]

TRADING ACTIVITY

● Volume (million)	Aug 4	Aug 1	Jul 31
New York SE	455.995	547.874	528.897
Amex	21.183	237.369	25.841
NASDAQ	602.693	593.303	688.319
NYSE			
Issues Traded	3,395	3,388	3,397
Rises	1,490	1,049	1,714
Falls	1,369	1,835	1,146
Unchanged	536	504	537
New Highs	218	213	524
New Lows	17	18	7

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	955.10	954.55	-0.85	957.00	952.00	51,359	177,433
Dec	-	965.60	-	-	-	393	6,058

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	19710.0	19440.0	-350.0	19770.0	19340.0	27,013	175,634
Dec	19720.0	19390.0	-170.0	19720.0	19390.0	126	3,811

Open interest figures for previous day.

TORONTO (Aug 5 / Can $)
4 pm close

Prices supplied by Exel, part of FT Information

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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TOKYO - MOST ACTIVE STOCKS: Tuesday, August 5, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tada Corp	20.6m	7		Dai Nippon Print	4.8m	2710	
Mitsui Co.	10.8m	1090	-20	Toshiba Corp	4.6m	750	+4
Matsushita E Ind	6.9m	2410	-20	Nippon Steel Cp	4.5m	317	
NKK Corp	5.8m	209	-2	Sakura Bank	4.4m	693	-9
Fujitsu	5.7m	1700	-40	Takeda Chem Inds	4.3m	3410	+40

NEW YORK STOCK EXCHANGE PRICES

4 pm close August 5

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
38 7/16	24 1/4	AAR x	0.48	1.4	27	834	35 7/8	35 1/16	35 1/4	+3/16
53 5/8	33 1/8	AMP x	1.04	2.0	44	8620	u53 3/4	51 9/16	53 1/16	+1 11/16
108 1/4	78 1/4	AMR			8	3370	u109	107 5/16	108 5/8	+15/16
37 5/8	29 1/2	AGA	1.20	4.0	20	981	30 11/16	30 1/8	30 3/8	-1/16
68 15/16	49 3/4	AbbotL x	1.08	1.7	25	14184	63 11/16	62 7/8	63 7/16	+3/16
30 1/2	14 1/8	Abitibi	0.40	2.0	10	185	20 1/16	20	20	
24 1/16	17 3/8	ABM Ind x	0.40	1.7	21	48	u24 1/8	23 15/16	23 15/16	-1/16
24 1/8	17 3/4	Acptncein			11	160	23	22 13/16	23	-1/16
86 7/16	56 1/8	ACE Ltd	0.88	1.1	11	964	84 9/16	83 1/8	83 1/16	-1 3/4
10 3/4	10	ACM Gvt In x	0.90	8.5	11	226	10 5/8	10 1/2	10 9/16	+1/16
8	7	ACM GvOpp	0.63	8.1		248	7 13/16	7 3/4	7 13/16	+1/16
10 3/16	9 1/4	ACM Man	0.90	8.8		214	10 3/16	10 1/8	10 3/16	+1/16
10 3/8	6 1/8	Acme Elect				90	6 1/2	6 1/4	6 1/2	+1/4
20	13	Acme Mets				60	15 7/16	15	15 7/16	-1/8
22 11/16	14	ACNielsen			39	579	22	21 1/2	21 3/4	+3/8
29 3/4	19 1/8	Acuson				1135	28 1/8	28 1/4	28	-1/8
24 3/8	19 3/8	Adams Expr	0.55	2.3	1	69	24 1/4	24 1/8	24 1/4	+1/8
48 1/2	24 7/8	AdvMic				17788	38 11/16	37 1/4	38 7/16	+1 1/4
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	444	22 3/4	22 1/4	22 3/4	+1/16
18 7/16	11 3/8	Advo Inc			17	356	u18 5/8	18 1/8	18 5/8	+3/8
78 7/8	61 1/8	Aegon	1.31	1.8	20	1226	72 1/2	71 3/8	72 1/2	-1/16
6 3/16	3 1/8	Aerith				17330	u8 1/16	7 13/16	8 1/2	+2 1/4

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NYSE PRICES

4 pm close August 5

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close August 5

AMEX PRICES

4 pm close August 5

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		0	8.25	3	Lernout & Hauspie	US$30.125	-0.625	8450	34	25
Artwork Systems	US$9.375		21400	11.125	8.375	Memor Int'l	US$10		0	11.75	8.125
Chemunex	FFr11.5		320000	18	11.5	NTL	US$22.375	+0.625	0	25.125	21.625
Debonair Holdings	GBP6.55	-0.35	136412	6.95	4.5	PixTech	US$3.75	-0.125	0	6.125	3.75
Dr Solomon's ADS	US$26.125	+1.125	0	28.375	16.875	Schoeller-Bleckmann	Sch1225	-15	4050	1240	900
EDAP TMS	US$8.875	-0.375	2000	8.125	8.375	Topcall Int'l	Sch3325	+35	9183	3363	3065
Esprit Telecom ADS	US$5.75	-0.125	100	12.25	5.375	Turbodyne Technol.	US$3.8	-0.05	0	3.98	3.88
Innogenetics	US$10.5	-0.125	6395	12.75	10.125						

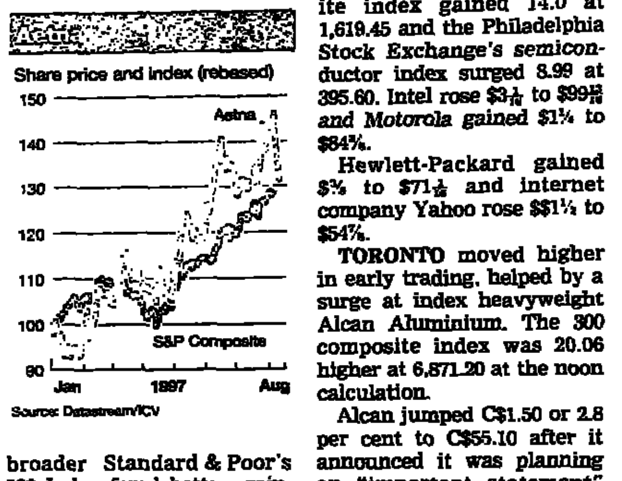
Prices for 5/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)

Dow dips as techs stay in focus

AMERICAS

For a second day running US investors favoured technology issues as the Treasury bonds continued to weaken and the Dow Jones Industrial Average hovered near Monday's close, *writes John Labate in New York.*

By early afternoon the Dow was practically unchanged, losing less than one point at 8,197.76. The



Source: Datastream/ICV

broader Standard & Poor's 500 Index fared better, gaining 2.75 at 953.05.

"There's a lot of belief in buying on the dips and they're doing it," said Mr Ralph Acampora, the bullish technical strategist at Prudential Securities, who recently said he expected the Dow to reach the 10,000 level by June 1998.

Blue-chip stocks were weak for most of the morning, but picked up slightly by the afternoon. Leading the Dow lower were Exxon, off $11/16 at $63 1/16 and McDonald's, down $7/16 at $54½.

In the bond market, the benchmark 30-year bond was 3/32 lower at midsession to yield 6.481 per cent.

Health care insurers took a beating. Aetna, which has enjoyed a strong run recently, released second-quarter earnings in line with analysts' expectations, but plunged $12¼ to $104½. Oxford Health Plans, which also released earnings, lost $3 11/16 at $82.

Among banking stocks, Chase Manhattan fell $1¾ at $109 5/16 and BankAmerica lost $1 11/16 at $72 9/16.

Computer-related stocks were the morning's high-flyers. The Nasdaq composite index gained 14.0 at 1,619.45 and the Philadelphia Stock Exchange's semiconductor index surged 8.99 at 395.60. Intel rose $3 1/16 to $99 13/16 and Motorola gained $1¼ to $84¾.

Hewlett-Packard gained $¾ to $71 1/16 and internet company Yahoo rose $1½ to $54⅞.

TORONTO moved higher in early trading, helped by a surge at index heavyweight Alcan Aluminium. The 300 composite index was 20.06 higher at 6,871.20 at the noon calculation.

Alcan jumped C$1.50 or 2.8 per cent to C$55.10 after it announced it was planning an "important statement" later in the day regarding its Kemano project in British Columbia.

Northern Telecom was also in demand, adding C$1.65 to C$144.75. Newbridge Networks gained C$1.00 to C$69.20 to round off a strong morning for high-tech stocks.

Banks made modest gains with Royal Bank of Canada improving 10 cents to C$66.00 and Bank of Montreal adding 20 cents at C$57.30. Toronto-Dominion Bank gained 15 cents to C$44.15.

Among weak spots, Seagram dipped 25 cents to C$52.25 and golds eased on a lacklustre bullion price. Barrick gave up 75 cents to C$30.55 and Placer Dome 30 cents to C$23.40.

Mexico City improves

MEXICO CITY continued to make steady upward progress. The IPC index, which closed above 5,100 for the first time ever on Monday, ended the morning session yesterday with a gain of 32.92 at 5,168.16.

Dealers said trading had picked up where it left off in the previous session. "We had all sorts of buy orders left over. There was no way the market was not going to move higher at the opening," said one broker.

Index heavyweight Telmex improved 5 centavos to 21.80 pesos and cement leader Cemex added 45 centavos at 42.20 pesos. Grupo Carso was active, gaining 20 centavos to 62.20 pesos.

Bancomer rose 16 centavos to 3.58 pesos on the news that the financial group had sold three luxury hotels. Analysts were pencilling solid capital gains from the disposals.

SAO PAULO also moved ahead with the Bovespa index 117 higher at 12,134 at midsession.

Johannesburg hits record

Industrial shares powered to new highs in South Africa, pulling the all share index 47.4 higher to a record 7,492.6. Volumes were good at about R800m for the day.

Dealers said expectations of a cut in interest rates before year-end had outweighed concerns over the rand's weakness. The industrial index added 73 to a new closing high of 9,183.2. Bullish sentiment was further fuelled by the debut of Afribrand, the confectionery and snacks group.

A higher platinum price rekindled interest in platinum shares, with Implats and Leplats adding 25 cents and 5 cents to finish at R50.75 and 490 cents respectively.

The weaker gold price pulled gold shares lower, with the gold index losing 15.9 to 954.

Blue-chip chemicals firm Sentrachem finished up 208 cents at R10.00 after US firm Dow Chemicals made an offer to buy the group at R10.50 a share.

Lacklustre bonds hold bourses in check

EUROPE

Weak debt markets reflecting worries about an upward nudge for US and German money costs kept most European bourses firmly in check yesterday.

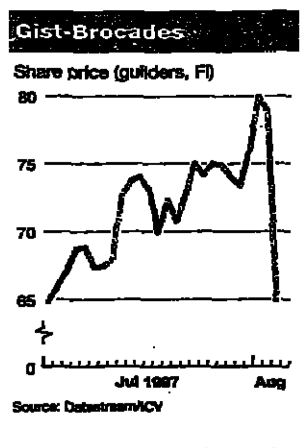
FRANKFURT moved down below 4,300 on the Dax in early trading, but eventually overcame worries about weak bonds to close modestly higher in seasonally dull volume.

Banks were mixed amid continued talk of higher German interest rates, but Munich Re was in demand and there were a number of firm features among broader-based engineers and industrials.

The Dax, 4,302.68 at the close of floor trading, had moved up to an Ibis-indicated 4,325.86 when electronic trading came to an end, a gain of 23.36.

Among engineers Preussag gained DM17.00 to DM564 and Linde was firm for the second day running, adding DM49.00 at DM1,389 as the dollar continued to climb against the D-Mark. Veba improved DM1.50 to DM108.10.

Munich Re led the financial pack, gaining DM112.00 to DM6,850 after the insurance giant forecast a strong rise for June premiums. Dresdner Bank shed DM2.25 to DM78.45 and Deutsche 55pfg to DM117.45, but Commerzbank added DM1.04 at DM62.35.



Source: Datastream/ICV

Volkswagen, initially higher on the news that its Audi unit had notched up US volume growth of 34 per cent for the first seven months of 1997, ended DM15.00 lower at DM1,356.50. Porsche, where US sales almost doubled, lost DM120.00 to DM2,805.

Among second-liners, FAG Kugelfischer gained DM1.20 to DM36.10 on renewed speculation that SKF of Sweden was teeing up a takeover bid. Adidas rose DM1.50 to DM216 ahead of today's interim results.

ZURICH had a switchback session that swung from plus 64.0 to minus 47 on the SMI index before finally settling at 5,765.2, up a bare 5.8 on the day.

UBS was the main talking point, kicking off the banks' half-year reporting season with a set of results that mostly disappointed. Analysts felt the earnings surge owed too much to the elimination of restructuring costs. The shares ended off SFr41.00 at SFr1,627. SBC fell SFr8.00 to SFr408 and Credit Suisse eased 75 centimes to SFr196. Elsewhere among financials, insurance group Winterthur jumped SFr24.00 to SFr1,493 on reports that a leading bank was in the market for the shares.

MILAN edged lower in the face of a number of bright features and the news that unit trust inflows in July had surged against June. The Mibtel real-time index closed off 114 at 14,324.

Alitalia was the subject of speculation, gaining L78.50 to L975.4 following rumours of an imminent link with KLM of the Netherlands. News of a strategic contract in the far east lifted Pirelli L51.00 to L4,785.

AMSTERDAM succumbed to profit-taking and interest rate jitters to end barely changed after a firmer start. The AEX index was up only 0.24 to 979.59 as the market remained preoccupied with the strong dollar and with profit reports.

FTSE Actuaries Share Indices — European series

August 05

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop300	997.10	+0.90	+8.85	2.32	0.00	997.27
FTSE Eurotop100	2309.67	+0.61	+16.46	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1014.03	+2.02	+20.06	3.34	0.00	1014.47
300 Ex-UK	987.39	+0.25	+2.44	1.73	0.00	987.39
300 Eurobloc	989.67	+0.28	+2.77	1.89	0.00	989.67
300 Ex-Eurobloc	1002.47	+1.34	+13.25	2.62	0.00	1002.74
FTSE Eurotop 300 Economic Groups						
Resources	1032.52	+2.75	+27.66	2.72	0.00	1032.52
General Industries	1002.84	+0.79	+7.85	1.99	0.00	1002.84
Consumer Goods	989.23	+1.09	+10.62	1.92	0.00	989.61
Services	990.73	+0.90	+8.86	2.30	0.00	991.39
Utilities	976.18	+0.00	+0.00	3.34	0.00	976.18
Financials	985.03	+0.43	+4.27	2.34	0.00	985.03

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

AEX component Gist-Brocades tumbled 17.6 per cent to Fl 64.90 after it had said its 1997 profits would be below last year's. The bio-chemicals and food group said the price of penicillin had hit a "historic low" due to additional capacity in China and India. Volume in the shares, a strong market in recent weeks, was heavy at almost 3.5m traded.

KLM dipped 40 cents to Fl 76.00 despite better than expected first-quarter results. The airline climbed to Fl 79.00 initially, but lost its gains as overall market weakness dragged it down.

The market ignored solid profits from business publisher Wolters Kluwer, taking its share Fl 5.00 lower to Fl 278.00.

PARIS continued to fret about higher interest rates, but shares bounced off their lows in thin volumes. The CAC 40 index closing 8.31 down at 2984.10.

Canal Plus fell FFr35.00 to FFr1,100 after a downgrade by brokers CPR Finance. Générale des Eaux was also hit by a downgrade, shedding FFr10.00 to FFr730.

The health sector bucked the trend, with Sanofi rising FFr6.00 to FFr619.00 on positive signals from research and development. The company is working on new products for the treatment of hypertension and thrombosis. Air Liquide closed FFr6.00 lower at FFr941. The company denied that it was in talks to acquire a stake in Indian company Industrial Oxygen.

Alcatel Alsthom remained at the top of the actives list, closing unchanged at FFr845. Joint venture GEC Alsthom said it was interested in acquiring the non-nuclear energy activities of Westinghouse, but it denied speculation that it was already in talks.

STOCKHOLM closed higher on the back of a rise in index component Astra, the drugs group, ahead of half-year earnings on Friday. The general index closed up 22.01 at 3,162.77 on average turnover. Astra attracted attention after a lacklustre period, rising Skr4.00 to Skr149.50. Telecoms equipment heavyweight Ericsson firmed in line with its Wall Street performance but came off highs to close Skr1.50 up at Skr355.50.

Investor, the investment holding company, rose despite Saab Auto reporting a first-half loss. Investor, which co-owns Saab, gained Skr5.50 to Skr421.00, with the carmaker's losses said to have been discounted.

Written and edited by Greta Steyn and Jeffrey Brown

Kuala Lumpur tumbles 3.4% on trade gap news

ASIA PACIFIC

KUALA LUMPUR tumbled 3.4 per cent on news of a huge trade deficit in June to extend its losses over the past two trading days to about 6 per cent.

Sentiment, damaged on Monday by the central bank's imposition of selective capital controls to curb currency speculation, weakened further. The composite index ended 33.48 lower at 945.08.

Telekom Malaysia was down 30 cents to M$8.95 and Malayan Bank shed M$1.10 to M$23.30. Brokers said there was talk that a leading hedge fund had sold 200,000 shares in Malayan Bank through Singapore.

The news of the biggest monthly trade deficit in 17 years of M$2.8bn in June could not have come at a worse time, analysts said.

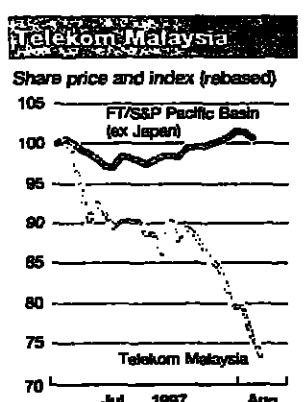
TOKYO declined for the third day running on continued selling of leading shares following the recent series of weak economic data, *writes Gwen Robinson.*

The Nikkei 225 average fell 153.62 to 19,514.45 after trading between 19,362.44 and 19,767.58.

Growing pessimism about economic direction hit the market from the outset following negative news from a range of sectors, including domestic vehicle sales, consumer spending, industrial output and construction orders.

The slide gathered momentum in the early afternoon as blue chip exporters plunged on profit-taking. Traders noted heavy selling by investment trusts. However, towards the end of the day bargain-hunters came in to lift the 225 index back above the 19,500 mark.

Volume rose from 339m shares to an estimated 429m. Declines led advances 716 to 401 with 147 unchanged. The Topix index of all first-section stocks shed 10.13 to 1,487.13 and the capital-weighted Nikkei 300 was down 2.10 at 290.06.



Source: Datastream/ICV

Many general construction shares touched new lows for the year on concerns about debt loads and the poor earnings outlook. Obayashi fell Y24 to Y650 and Kajima Y18 to Y563. Tada, the day's most active issue, ended at the asked price of Y7 after filing for bankruptcy protection on July 30.

Carmakers and electrical stocks retreated. Toyota fell Y130 to Y3,160, Honda Y110 to Y3,620 and Mazda Y2 to Y465. Among semiconductor-related issues, Advantest fell Y300 to Y10,800, Kyocera Y390 to Y9,600 and Tokyo Electron Y260 to Y7,040. Sony shed Y100 to Y11,900. Canon fell Y100 to Y3,520. Nikon, however, rose Y20 to Y2,120 after reaching a record high of Y2,180 earlier in the day.

Pharmaceuticals were mixed. Among those to draw buying interest, Sankyo rose Y30 to Y4,120 and Takeda Chemical Industries Y40 to Y3,410. Yamanouchi Pharmaceuticals, however, fell Y60 to Y3,010 and Daiichi Pharmaceuticals Y80 to Y2,090.

Nomura Securities fell Y20 to Y1,630 after recent gains, and other brokers also retreated. Banks mostly improved. Bank of Tokyo-Mitsubishi rose Y30 to Y2,180, Industrial Bank of Japan Y20 to Y1,580 and Fuji Bank Y10 to Y1,450. Sumitomo Bank, however, fell Y20 to Y1,780.

In Osaka, the OSE slid 178.90 to 20,230.82 and volume rose to 27.6m shares.

TAIPEI ran into profit-taking following a sharp rise for money market rates. The weighted index fell 146.08 or 1.45 per cent to 9,919.68 after touching an intra-day low of 9,914.10. Turnover was light at T$189bn.

Money market rates have risen steeply over the past two days in a clear attempt by the central bank to bolster the Taiwan dollar. The dollar rallied yesterday but the monetary tightening took its toll of equities, which have risen more than 40 per cent this year.

Electronics bore the brunt of the profit-taking. Microchip maker Winbond fell T$0.50 to T$78 in spite of a dramatic, four-fold profits upgrade. Financials were also weak. Chiao Tung Bank tumbled T$5.50 to T$74.50 as the government set about reducing its stake from 89 per cent to 60 per cent.

SEOUL ended higher on foreign buying of blue chips and bargain-hunting among low cap stocks. The composite index closed up 6.67 at 740.86.

But shares of four units of South Korea's troubled Kia Group plunged on news that immediate emergency loans to the group were unlikely. Kia Motors lost Won1,200 to Won14,000, Asia Motors fell Won430 to Won5,020, Kisan shed Won440 to Won5,170 and Kia Service fell Won440 won to Won5,060.

Kia Steel bucked the trend, rising Won230 to Won3,140 as investors continued to signal their approval of last week's news that Hyundai and Daewoo had agreed in principle to buy a stake in the company.

MANILA was boosted by better than expected inflation data, which lifted the composite index 36.67 to 2,676.2. Official statistics showed inflation in July was steady at 4.8 per cent, despite the depreciation of the peso.

Shares of Megaworld Properties jumped 12.7 per cent to 3.10 pesos in late trade on talk of a possible buy-in.

BANGKOK pared initial losses but still closed with the SET index off 15.35 or 2.3 per cent at 648.47 on turnover of Bt6.7bn.

The low for the session was 634.58.

The shake-out, which extended the market's losing run to four days, was sparked by the government suspending more troubled financial groups.

BOMBAY swept through the 4,500 mark. The BSE index closed 80.93 higher at 4,546.30 after the latest round of company results came in at the top end of broker expectations.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	MONDAY AUGUST 4 1997 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 1 1997 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (76)	235.46	–1.1	214.06	175.95	228.16	211.98	–0.9	3.59	237.99	215.55	177.60	229.72	213.90	243.87	195.74	195.74
Austria (25)	200.49	–1.5	182.27	149.81	194.27	194.16	–1.1	1.69	203.56	184.37	151.91	196.49	196.38	206.00	174.70	179.64
Belgium (29)	242.60	–2.7	220.55	181.28	235.08	230.15	–2.4	2.97	249.30	225.79	186.03	240.64	235.73	261.11	213.92	215.33
Brazil (30)	288.55	–1.6	262.33	215.62	279.61	575.27	–1.6	1.28	293.18	265.53	218.78	282.99	584.49	322.44	172.54	181.04
Canada (127)	221.99	0.1	201.81	165.88	215.11	221.73	0.0	1.65	221.75	200.84	165.48	214.05	221.73	222.54	168.63	168.63
Denmark (32)	387.75	–1.7	352.51	289.75	375.73	374.58	–1.3	1.38	394.28	357.11	294.23	380.59	379.44	421.25	311.03	312.04
Finland (26)	309.61	0.5	281.47	231.35	300.01	361.14	0.9	1.52	308.22	279.16	230.01	297.52	357.91	314.06	197.04	197.04
France (83)	225.79	–2.1	205.27	168.72	218.80	222.65	–1.7	2.37	230.63	208.88	172.10	222.62	226.45	237.57	167.30	194.00
Germany (59)	228.02	–2.7	207.30	170.39	220.96	220.95	–2.4	1.29	234.42	212.31	174.93	226.28	226.28	238.42	172.93	173.64
Hong Kong, China (66)	561.62	–0.4	510.58	419.67	544.22	558.28	–0.4	2.73	563.79	510.63	420.72	544.21	560.45	563.79	421.41	421.78
Indonesia (27)	228.04	0.1	207.32	170.41	220.98	354.43	–0.3	1.78	227.84	206.36	170.02	219.93	365.64	254.90	183.62	196.41
Ireland (17)	369.60	–0.4	336.01	276.18	358.14	360.43	0.0	2.71	371.10	336.11	276.93	358.21	360.43	374.84	280.72	281.35
Italy (53)	97.23	–2.5	88.40	72.66	94.22	132.48	–1.9	1.79	99.73	90.33	74.43	96.27	135.04	105.79	73.26	78.12
Japan (485)	130.81	–1.2	118.92	97.75	126.76	97.75	–1.1	0.81	132.41	119.92	98.81	127.81	98.81	150.97	107.57	150.07
Malaysia (107)	453.69	–2.3	412.46	339.02	439.63	459.63	–2.6	1.50	464.49	420.70	346.62	448.36	471.83	680.85	453.69	535.39
Mexico (27)	1829.49	0.9	1663.22	1367.08	1772.80	15669.06	1.1	1.43	1812.28	1641.40	1352.39	1749.34	15496.95	1829.49	1136.59	1216.95
Netherlands (19)	420.75	0.1	382.52	314.41	407.72	403.14	0.4	1.93	420.45	380.81	313.76	405.85	401.38	428.86	295.84	297.06
New Zealand (14)	91.73	–0.9	83.40	68.55	88.89	75.72	–0.9	3.84	92.61	83.87	69.11	89.39	76.41	96.47	80.77	83.73
Norway (41)	318.91	0.1	289.93	238.31	309.03	332.71	0.2	1.85	318.47	288.44	237.66	307.41	332.09	326.60	246.29	249.80
Philippines (22)	145.87	1.0	132.62	109.00	141.35	212.27	0.9	0.96	144.45	130.83	107.79	139.43	210.38	214.07	138.54	206.17
Singapore (42)	375.32	0.4	341.21	280.46	363.69	253.73	0.0	1.20	373.68	338.44	278.85	360.70	253.76	448.01	360.08	390.47
South Africa (44)	350.85	–0.9	318.98	262.18	339.99	356.91	–0.5	2.44	354.04	320.66	264.20	341.75	358.56	370.12	301.49	337.14
Spain (33)	237.87	–2.0	216.25	177.75	230.50	283.63	–1.6	2.34	242.72	219.83	181.12	234.29	288.13	276.05	173.01	179.98
Sweden (49)	490.55	–0.9	445.97	366.56	475.35	583.26	–0.7	1.77	495.09	448.41	369.45	477.89	587.38	511.95	350.96	353.48
Switzerland (33)	306.16	–2.2	278.33	228.78	296.67	289.55	–1.9	1.16	313.20	283.67	233.72	302.32	295.24	329.59	231.69	244.45
Thailand (42)	62.21	4.1	56.56	46.49	60.29	76.54	3.3	4.02	59.75	54.12	44.59	57.68	74.13	151.74	47.55	147.32
United Kingdom (214)	312.75	–0.4	284.32	233.70	303.06	284.32	0.0	3.52	314.06	284.45	234.35	303.15	284.45	325.28	235.41	235.41
USA (640)	385.57	0.3	350.53	288.12	373.63	385.57	0.3	1.60	384.46	348.21	286.90	371.11	384.46	387.12	264.75	269.77
Americas (824)	352.50	0.3	320.46	263.41	341.58	296.64	0.3	1.60	351.67	318.42	262.36	339.36	296.07	354.10	242.47	246.45
Europe (715)	274.32	–1.3	249.38	204.98	265.82	266.80	–0.9	2.41	277.98	251.77	207.44	268.33	269.34	284.44	211.05	211.34
Nordic (150)	420.10	–0.7	381.92	313.92	407.09	438.38	–0.5	1.68	423.11	383.21	315.74	408.42	440.37	437.88	303.56	305.22
Pacific Basin (881)	149.91	–1.1	136.29	112.02	145.27	112.86	–1.0	1.27	151.56	137.27	113.10	146.30	113.99	163.63	127.18	162.48
Euro-Pacific (1596)	201.85	–1.2	183.50	150.83	195.59	170.70	–1.0	1.92	204.33	185.07	152.48	197.24	172.36	209.12	173.55	182.72
North America (767)	375.42	0.3	341.30	280.53	363.78	374.63	0.3	1.60	374.36	339.06	279.36	361.36	373.60	376.90	258.56	262.91
Europe Ex. UK (501)	247.31	–1.8	224.83	184.80	239.65	250.15	–1.4	1.77	251.90	228.15	187.98	243.15	253.82	256.73	191.01	193.01
Pacific Ex. Japan (396)	313.17	–0.7	284.71	234.02	303.47	280.67	–0.8	2.67	315.48	285.71	235.41	304.50	283.05	320.65	278.08	278.08
World Ex. US (1824)	206.25	–1.1	187.51	154.12	199.86	177.79	–0.9	1.90	208.62	188.95	155.68	201.37	179.41	212.89	176.94	183.89
World Ex. UK (2250)	258.84	–0.5	235.32	193.42	250.82	232.60	–0.4	1.56	260.03	235.52	194.05	251.00	233.44	262.69	204.12	208.02
World Ex. Japan (1979)	331.16	–0.3	301.06	247.46	320.90	325.82	–0.2	1.93	332.21	300.89	247.91	320.67	326.46	334.83	242.70	243.54
The World Index (2464)	263.52	–0.5	239.57	196.91	255.35	237.54	–0.3	1.75	264.72	239.76	197.54	255.53	238.33	267.21	207.84	210.46

Latest prices were unavailable for this edition. Markets closed 4/8/97: Canada and Ireland.